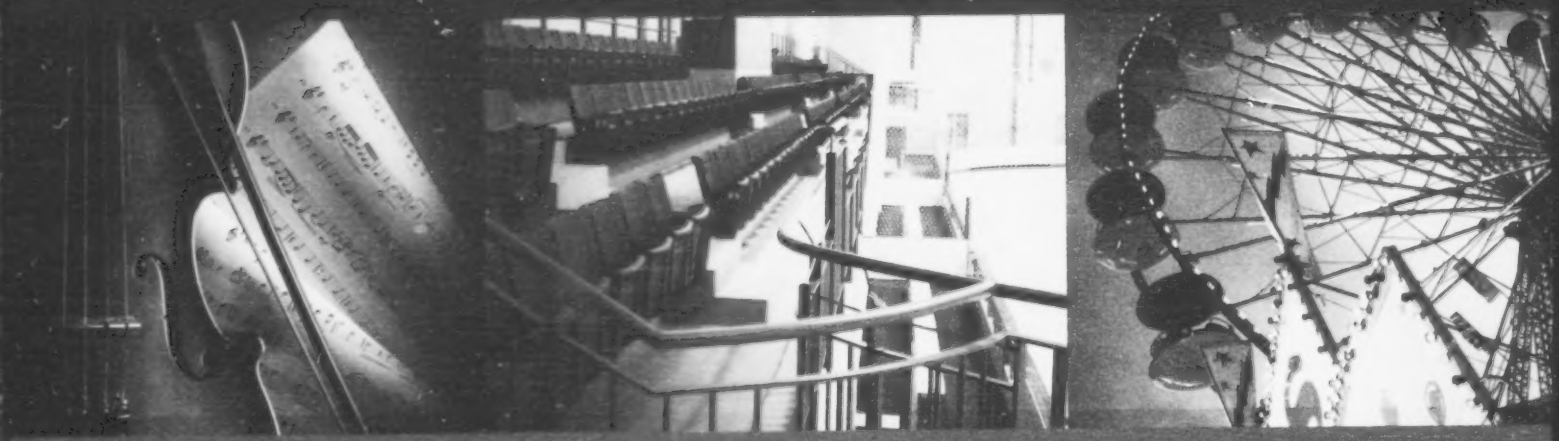
Alberta Gaming

2004-2005 Annual Report | Benefiting Albertans



Alberta Advantage

ALBERTA LOTTERY FUND

Alberta Gaming

Each year, thousands of volunteer and community-based organizations receive financial support from the Alberta Lottery Fund. The Alberta Lottery Fund is the province's share of the net revenues from video lottery terminals (VLTs), slot machines, electronic (DIGI) bingo, Keno and ticket lotteries. In 2005, this amounted to over $1.2 billion. Although you may not be aware of the Alberta Lottery Fund's positive impact on your community, chances are it directly or indirectly touches your life. Whether you visit a local library or museum, attend a cultural or athletic event, or participate in a conservation project, lottery dollars are often at work behind the scenes.

Alberta's distinctive charitable gaming model also has a positive effect on your community and ensures charities receive maximum benefits from gaming activities. In 2005, charitable and religious organizations earned $238 million through charitable gaming activities such as bingos, casino events, pull-tickets and raffles for a variety of community projects and initiatives.

The combination of funds available through the Alberta Lottery Fund and charitable gaming activities assist communities in their quest to make Alberta the best place to live, work and visit.

ALBERTA
LOTTERY FUND

Each year, thousands of volunteer and community-based organizations receive financial support from the Alberta Lottery Fund. The Alberta Lottery Fund is the province's share of the net revenues from video lottery terminals (VLTs), slot machines, electronic (DIGI) bingo, Keno and ticket lotteries. In 2005, this amounted to over $1.2 billion. Although you may not be aware of the Alberta Lottery Fund's positive impact on your community, chances are it directly or indirectly touches your life. Whether you visit a local library or museum, attend a cultural or athletic event, or participate in a conservation project, lottery dollars are often at work behind the scenes.

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The combination of funds available through the Alberta Lottery Fund and charitable gaming activities assist communities in their quest to make Alberta the best place to live, work and visit.

ALBERTA
LOTTERY FU

2005 at a Glance

106-00064/

Lottery–Funded Grant Programs	2005	2004
Number of Community Facility Enhancement (CFEP) grants approved	628	630
Total amount of CFEP grants distributed	$ 39.5 million	$ 38.5 million
Number of Community Initiatives Program (CIP) grants approved	1,279	1,296
Total amount of CIP grants distributed	$ 30.0 million	$ 30.0 million
Total amount of other grants approved	$ 121.6 million	$ 69.8 million

Alberta Lottery Fund	2005	2004
Total amount of Alberta Lottery Funds distributed	$ 1,267.2 million	$ 1,132.1 million
Percentage of available Lottery funding distributed	100%	100%
Percentage of Alberta Lottery Fund disbursements committed to supporting volunteer public and community-based initiatives	100%	100%

Gaming	2005	2004
Gaming Venues		
Bingo association halls	52	53
Charitable casinos	16	16
Racing entertainment centres	3	3
Locations with VLTs	1,110	1,139
Ticket lottery centres	2,173	2,100
Gaming Gross Profit	$ 1,770.7 million	$ 1,592.8 million

Liquor	2005	2004
Liquor Retail Outlets	1,086	1,039
Liquor Products Available	12,537	11,688
Liquor Sales by Volume, in hectolitres (hl)		
Spirits	208,709 hl	200,207 hl
Wine	235,062 hl	218,580 hl
Coolers/Cider	134,966 hl	143,810 hl
Beer	2,363,630 hl	2,310,238 hl
	2,942,367 hl	2,872,835 hl
Liquor Gross Profit	$ 570.1 million	$ 558.9 million

ALBERTA LOTTERY FUND

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ALBERTA LOTTERY FUND

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2005, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Gaming contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- The financial statements of entities making up the Ministry including the Department of Gaming, the Alberta Gaming and Liquor Commission, and the Alberta Lottery Fund, for which the Minister is responsible, and
- Other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2005, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 1, 2005, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Gordon Graydon
Minister of Gaming

Message from the Minister

As the new Minster of Gaming, it is with great pride and pleasure that I reflect on the accomplishments that occurred over the past year at Alberta Gaming. I am very pleased to see that the Ministry has such a high standing with Albertans and results from Alberta Gaming's 2004-2005 performance measures show that Albertans are satisfied with our collective efforts. In fact, almost 75 per cent of Albertans indicated they were satisfied with the way the gaming industry operates, and almost 80 per cent indicated they were satisfied with the operation of the liquor industry.

These satisfaction ratings are due in part to our continuing commitment to listen to Albertans. Time and again Albertans have told us they want Alberta Gaming to focus on maintaining the integrity of the gaming and liquor industries in Alberta. Our vision, goals and commitments have been developed with this focus in mind and have helped ensure that both the gaming and liquor industries operate with integrity and in a socially responsible manner.

The government understands the value of knowing more about the costs and benefits of the gaming and liquor industries in Alberta and across the country. In 2001, Alberta released the Gaming Licensing Policy Review (GLPR), which was a comprehensive two-year consultation with Albertans on gaming licensing policies. This consultation resulted in a well-thought out approach to gaming in Alberta that ensures careful management and control. In 2004-2005, the Ministry continued to implement policy recommendations arising from the review. To date, 59 out of 61 GLPR recommendations have been successfully implemented.

In fact, the eight-step casino licensing process, one of the implemented GLPR recommendations, is proving to be an effective method of assessing and controlling growth as we move forward. This process includes the extremely important step of communities and individuals expressing their support or lack of support for a casino proposed for their area. The ability of Albertans to express their opinions and influence licensing decisions is paramount to the development of the gaming and liquor industries in Alberta.

It is the AGLC's responsibility to license and regulate gaming and liquor activities in Alberta, but ultimately it is each Albertans' responsibility to manage his or her gambling and drinking behaviour. The government's commitment is to protect our citizens by learning more about the social and economic aspects of gaming and liquor from research experts and other jurisdictions. The more we know, the more we can help people choose to drink and gamble responsibly. Our new Social Responsibility Division was put in place to help us meet this goal.

Albertans, government, industry representatives and the research community contribute to developing and implementing strategies aimed at increasing responsible gaming in Alberta. Alberta Gaming works closely with the Alberta Alcohol and Drug Abuse Commission (AADAC) to develop initiatives such as the casino and racing entertainment centre Voluntary Self-exclusion Program, which has been designed for anyone who feels it is in their best interest not to participate in casino gaming activities. AADAC also conducts gaming and liquor research, and develops prevention programs. All of AADAC's gaming and liquor related activities are funded by the Alberta Lottery Fund.

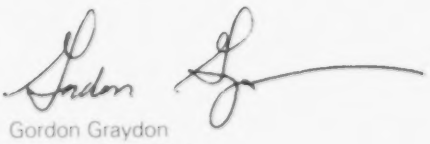
Since the liquor industry in Alberta is run for Albertans and by Albertans, it is important for Alberta Gaming to conduct regular consultations with liquor industry representatives. Consultations with the liquor industry helped create the Cottage Winery Licence introduced on February 1, 2005. The licence allows fruit growers to manufacture, store and sell wine on their farms. Alberta's fruit growers researched this option and determined that it could be viable. The AGLC worked with industry representatives to develop the regulatory framework to allow facilities of this nature in order to encourage the growth of a fruit wine industry in Alberta.

Since I became the Minister of Gaming in 2004, I have had the opportunity to witness first hand how the Alberta Lottery Fund has helped communities across the province. Whether it is support for community sports, arts events, or community and recreation centres, there is little doubt that the gaming revenue distributed through the Alberta Lottery Fund benefits Albertans. For example, in fiscal 2005, the Edmonton YMCA received a $1 million injection from the Alberta Lottery Fund to help build a new facility, and the Alberta Junior Hockey League received $152,500 to assist the league and its 15 participating teams.

The Alberta Lottery Fund continually partners with government and communities to support projects that are innovative and community-driven, such as the Calgary Weir Improvement Project, which received a total of $3.4 million to support the development of a park area that everyone can enjoy, and the Rotary Challenger Park in Calgary, which received $250,000 in 2004 to help with the development of its barrier-free facility. The 2004 funding to Rotary Challenger park brought the total Alberta Lottery Fund support to the project to over $3.5 million since 2001.

The Alberta Lottery Fund also contributes to agricultural initiatives. In fiscal 2005, $40 million was provided to major fairs and exhibitions for capital projects. The funds went to Alberta's seven major regional exhibitions in Camrose, Grande Prairie, Lethbridge, Lloydminster, Medicine Hat, Olds, and Red Deer. Major regional exhibitions offer a broad range of services and activities that serve a large population and add to the quality of life in Alberta. This was in addition to the $2.7 million provided annually to these organizations.

With all of the exciting lottery funded events happening in 2005 and Alberta's Centennial celebrations, I am sure it will prove to be an exciting and memorable year for Albertans.



Gordon Graydon
Minister of Gaming

Management's Responsibility for Reporting

The Ministry of Gaming includes the Department of Gaming, the Alberta Gaming and Liquor Commission, the Alberta Lottery Fund and the Alberta Gaming Research Council. The Minister is also responsible for the *Horse Racing Alberta Act* and the Racing Appeal Tribunal.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives and respective boards ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Gaming. Under the direction of the Minister I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- Provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- Provide information to manage and report on performance,
- Safeguard the assets and properties of the Province under Ministry administration,
- Provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Gaming any information needed to fulfill their responsibilities, and
- Facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

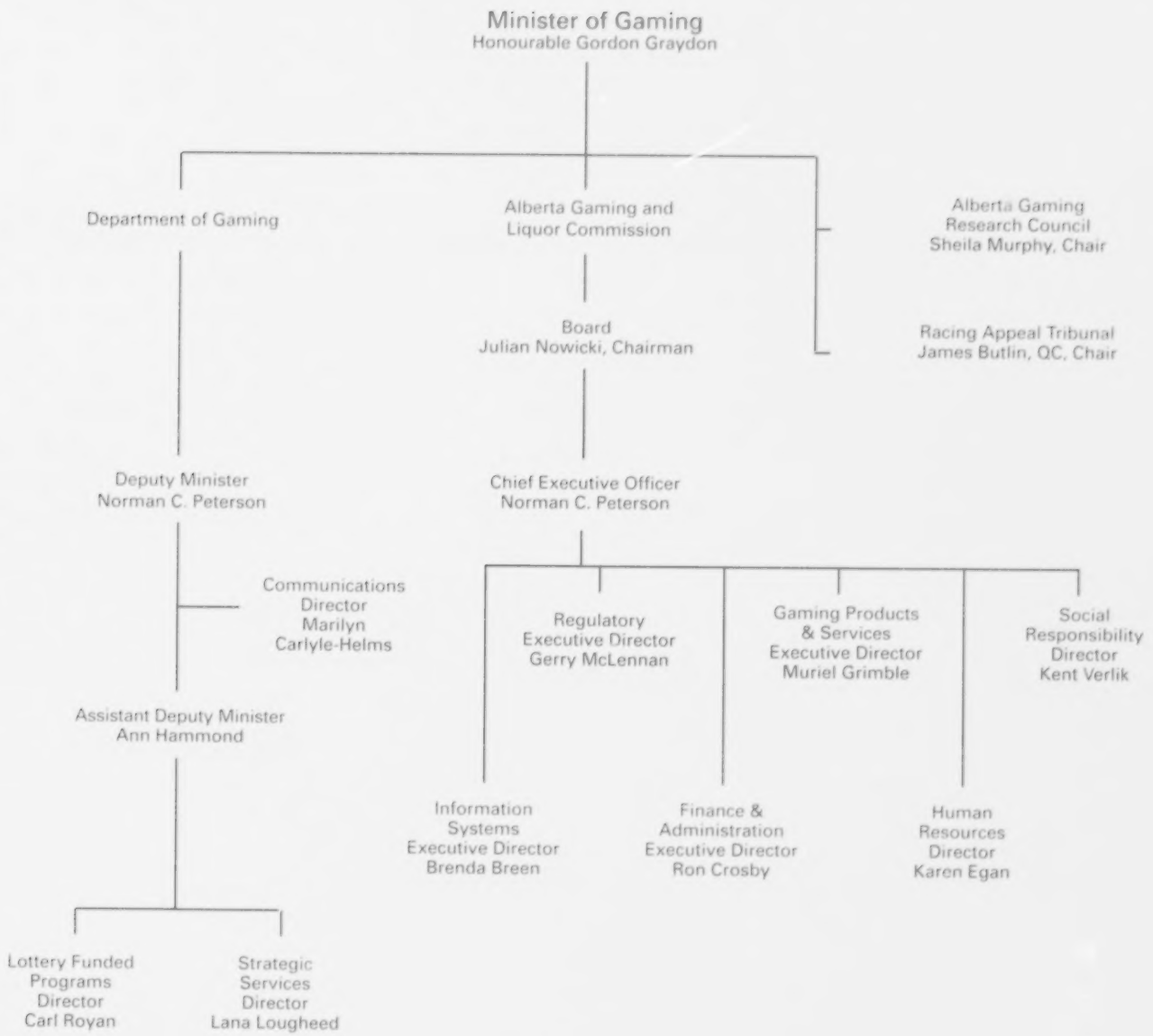
In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Norman C. Peterson
Deputy Minister
Ministry of Gaming

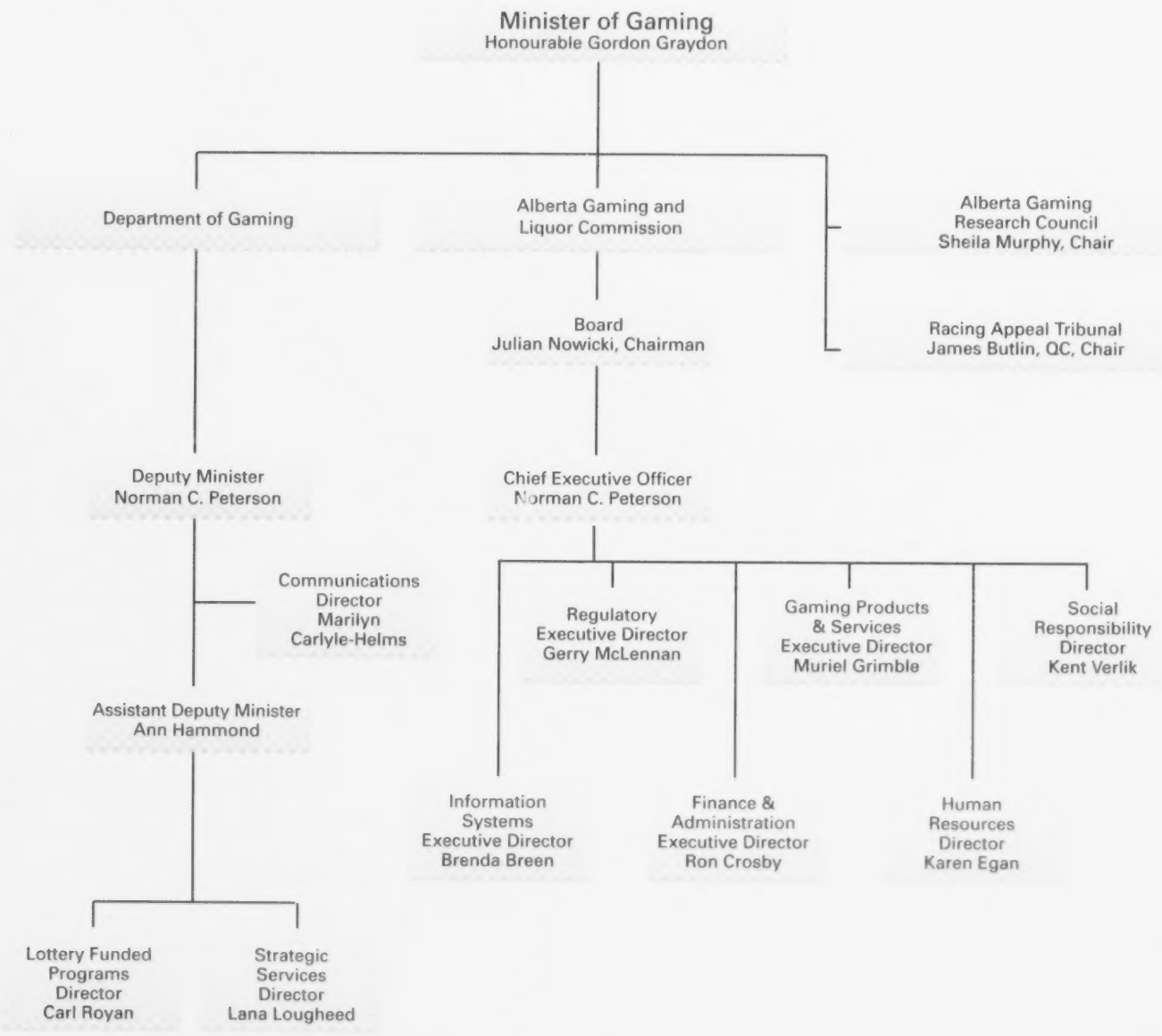
September 1, 2005

Overview

Organization Chart



Organization Chart



Ministry of Gaming

The Minister of Gaming is responsible for the Department of Gaming, the Alberta Gaming and Liquor Commission, the Alberta Lottery Fund, the Alberta Gaming Research Council and the Racing Appeal Tribunal. The Ministry is also responsible for the *Gaming and Liquor Act* and the *Horse Racing Alberta Act*.

Department of Gaming

The responsibilities of the Department of Gaming include lottery-funded programs, communications and overall strategic services for gaming and liquor activities in the province.

Contact: **Norman C. Peterson, Deputy Minister**
Phone: (780) 447-8601
Fax: (780) 447-8950
E-mail: norm.peterson@aglc.gov.ab.ca

Contact: **Ann Hammond, Assistant Deputy Minister**
Phone: (780) 447-8647
Fax: (780) 447-8950
E-mail: ann.hammond@aglc.gov.ab.ca

Lottery Funded Programs

The Lottery Funded Programs Division is responsible for lottery-funded grant programs administered by Alberta Gaming. Two key programs are the:

- Community Facility Enhancement Program – provides financial assistance to build, purchase, repair, renovate or upgrade public-use facilities in Alberta communities, and
- Community Initiatives Program – supports smaller, project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, and sports and recreation.

In addition, the Division also administers grant programs that support agricultural and economic initiatives. These support major Alberta exhibitions such as the Calgary Exhibition and Stampede, Edmonton Northlands and regional exhibitions in Camrose, Grande Prairie, Lethbridge, Lloydminster, Medicine Hat, Olds and Red Deer.

The Division also administers the flow through of certain gaming revenues to specific beneficiaries. These grant programs include the racing industry renewal, NHL ticket lotteries, and the distribution of electronic bingo and Keno proceeds to charitable organizations.

Contact: **Carl Royan, Director**
Phone: (780) 447-8810
Fax: (780) 447-8903
E-mail: carl.royan@aglc.gov.ab.ca

Communications

The Communications Division plans and coordinates external and internal communications and supports the Ministry in media relations and issues management.

Contact: **Marilyn Carlyle-Helms, Director**
Phone: (780) 447-8719
Fax: (780) 447-8931
E-mail: marilyn.carlyle-helms@aglc.gov.ab.ca

Strategic Services

Strategic Services is responsible for strategic policy, business planning, performance measures, financial planning and coordination and Freedom of Information and Protection of Privacy services for the Ministry.

Contact: **Lana Lougheed, Director**
Phone: (780) 447-8975
Fax: (780) 447-8933
E-mail: lana.lougheed@aglc.gov.ab.ca

Alberta Gaming and Liquor Commission

The Alberta Gaming and Liquor Commission (AGLC) is a commercial enterprise, an agent of the Government of Alberta, and a board-governed corporation. It operates under the *Gaming and Liquor Act*. The Board is responsible for regulatory matters and establishing policies within the government's policy framework. Management and staff of the Corporation carry out the day-to-day operations and delegated regulatory responsibilities.

The mission of the AGLC is to ensure gaming and liquor activities are conducted with integrity and social responsibility and to maximize long-term economic benefits for Albertans. The AGLC administers the Alberta Lottery Fund under the provisions of the *Gaming and Liquor Act*.

The AGLC publishes a separate annual report including an overview of its activities, performance measure results and audited financial statements. Copies are available online at **aglc.gov.ab.ca** or by contacting the Ministry's Communications office (see the inside back cover of this annual report for contact information).

Contact: **Norman C. Peterson, CEO**
Phone: (780) 447-8601
Fax: (780) 447-8950
E-mail: norm.peterson@aglc.gov.ab.ca

Gaming and Liquor Act

The Ministry of Gaming is responsible for the *Gaming and Liquor Act*. The legislation sets out the framework for the provision and regulation of gaming and liquor in Alberta, including the roles and responsibilities of the Alberta Gaming and Liquor Commission. It also establishes the Alberta Lottery Fund.

Alberta Lottery Fund

The Alberta Lottery Fund is made up of the government's share of net revenues from video lottery terminals (VLTs), slot machines, electronic (DIGI) bingo, Keno and ticket lotteries. These revenues total more than $1 billion each year and are used to support thousands of volunteer, public and community-based initiatives annually. The Legislature provides annual spending authority for the Fund to support programs, projects and foundations administered by various ministries. The Ministry of Gaming oversees the Alberta Lottery Fund budget and administers various key lottery-funded grant programs, including the Community Facility Enhancement Program and the Community Initiatives Program.

Alberta Gaming Research Council

The Alberta Gaming Research Council is a broad-based advisory group to the Minister of Gaming. The Council is made up of six public representatives and one representative from each of the following organizations: the Alberta Alcohol and Drug Abuse Commission (AADAC), Alberta Health and Wellness, and Alberta Gaming.

The Council was established to help direct the research activities of the Alberta Gaming Research Institute. The Institute is an independent consortium of the Universities of Alberta, Calgary and Lethbridge that conducts research into the various aspects of gaming, including the social and economic aspects of gaming, emerging gaming trends and problem gambling prevention and treatment.

Contact:	**Sheila Murphy, Chair**
Phone:	(780) 447-8709
Fax:	(403) 220-1528
E-mail:	stmurphy@telus.net

Horse Racing Alberta Act

The Ministry of Gaming is responsible for the *Horse Racing Alberta Act*. The legislation places responsibility for management and regulation of the horse racing industry in Alberta on Horse Racing Alberta, a private, non-profit organization. More information on Horse Racing Alberta can be found in its Annual Report and on its website at **www.thehorses.com**.

Racing Appeal Tribunal

The *Horse Racing Alberta Act* establishes the Racing Appeal Tribunal. The Minister of Gaming appoints members to the Racing Appeal Tribunal. The Tribunal hears appeals under the Act arising from rulings or directions of horse racing officials. The Tribunal's costs are borne by Horse Racing Alberta. Members of the Tribunal at March 31, 2005 were James Butlin, QC, Chair; William Elzinga; and Morris Taylor. More information on the Racing Appeal Tribunal can be found in the Horse Racing Alberta Annual Report.

ALBERTA LOTTERY FUND

Operational Overview

Vision

A province that strives to balance choice and responsibility in its gaming and liquor industries, uses revenue derived from these activities for the benefit of Albertans, and provides opportunity for competition and enhanced service in its gaming and liquor industries.

Mission

To ensure integrity and accountability in Alberta's gaming and liquor industries, and to achieve the maximum benefit for Albertans from gaming and liquor activities.

Guiding Principles

The Ministry of Gaming has adopted the following guiding principles for gaming and liquor in Alberta. These guiding principles are subject to ongoing review, to ensure they continue to reflect Albertans' values.

1. The integrity of gaming and liquor activities will be ensured.
2. Gaming and liquor policies will reflect a commitment to social responsibility.
3. Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
4. The collection and use of gaming and liquor revenue will be open and accountable.
5. Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in Alberta.
6. Alberta's liquor industry will continue to be among the most progressive and competitive in the country and continue to lead the nation in terms of supply, distribution, pricing and customer service.
7. The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

Core Businesses

The Ministry of Gaming has three core businesses, as set out in the Ministry's 2004-2007 Business Plan. These core businesses are as follows:

1. **Ensure that Alberta's liquor industry operates with integrity and accountability and in a socially responsible manner.**
2. **Ensure that Alberta's gaming industry operates with integrity and accountability and in a socially responsible manner.**
3. **Ensure the Alberta Lottery Fund benefits Alberta communities.**

The Ministry's performance measures, presented in the Integrated Results Analysis section of this annual report, give the results achieved for each core business and related goals.

Integrated Results Analysis

Message from the Deputy Minister

As I look back on the past year, I am pleased to say Alberta Gaming has continued to meet and exceed its goals. Many factors have made this possible, but the largest elements that guided our success remains our strong commitment to integrity, accountability, and social responsibility. These commitments guide Alberta Gaming's everyday practices, our vision for the future, and our three core areas of responsibility: Alberta's liquor industry, gaming industry, and the Alberta Lottery Fund.

It is important to Albertans that the gaming and liquor industries in Alberta continue to be well maintained and that the policies guiding these activities strike a balance between choice and responsible participation. This balance is achieved in various ways, such as programs and initiatives in the liquor industry that help liquor retailers understand the importance of social responsibility. For example, the Alberta Server Intervention Program was launched in 2004 as a comprehensive and mandatory training program for everyone involved in the sale or service of alcohol to the public. Albertans, AADAC, industry, licensees and government will all benefit from this program.

To maintain balance in the gaming industry, the Alberta government continues to seek information and support research into the social and economic aspects of gaming. Research into the effects of gaming is valuable to develop sound gaming policy. The Alberta Gaming Research Institute (AGRI) and Council were developed in response to a 1998 Gaming Summit recommendation outlining a need for more gaming research. This ministry puts a high importance on research and fully funds the AGRI through the Alberta Lottery Fund.

However, research is only one part of our commitment. Alberta Gaming also understands Albertans' views that gaming revenues should flow back to fund important community initiatives. Last year, the gaming industry in Alberta benefited various industries, including the horse racing and breeding industry, which has a rippling economic effect through the agriculture community. Albertans also benefit from gaming revenue through the Alberta Lottery Fund, which is government's share of revenues from provincial gaming activities. Last year, the fund totaled more than $1 billion, and supported thousands of volunteer, public and community-based initiatives. The lottery fund helps meet our commitment to Albertans by ensuring that all gaming revenue continues to flow to our communities.

The Alberta Lottery Fund is administered by the Ministry of Gaming, through the Alberta Gaming and Liquor Commission (AGLC). The Ministry of Gaming also administers various lottery funded grant programs, including the Community Facility Enhancement Program (CFEP) and the Community Initiatives Program (CIP).

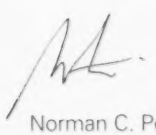
CFEP provides support to the expansion and upgrading of Alberta's extensive network of public-use community facilities. Groups from all over Alberta have used CFEP funds to assist children and individuals with special needs in Alberta. In 2005, over 600 grants were given out to various groups to build, purchase, repair, or renovate family and community wellness facilities. For example, the Children's Services Centre in Red Deer received $125,000 to complete renovations of a newly purchased facility. The Elves Special Needs Society in Edmonton also received $125,000 to expand their facility to enable the organization to provide additional programs to an increasing number of disabled youth and adults.

Funding from CIP provides support for project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports, education, health and recreation. In 2005, over 1,200 community non-profit groups, community organizations, social services organizations, regional children's authorities, municipalities, and First Nations and Metis Settlements received grants from CIP. The Calgary International Children's Festival Society received $75,000 to assist in presenting the Calgary International Children's Festival, which is one of the biggest festivals of the performing arts for young audiences. The Taber and District Community Adult Learning Association also received $15,000 last year to assist with programming costs to provide families with reading and writing skills and an introduction to the English language.

It is important to note that the key objective for Alberta Gaming is our continuing high satisfaction rating with Albertans regarding the operation of gaming and liquor activities in Alberta. Part of this high satisfaction rating comes from putting a high priority on ensuring Albertans are aware of the programs that are available to anyone experiencing problems with their gambling or drinking behaviour. In 2005, Alberta Gaming took several steps to ensure we were meeting this goal, and we have heard from Albertans that our initiatives are recognized. We were pleased to see that 86 per cent of Albertans indicated that they are aware of the treatment and prevention programs available to them for alcohol abuse and 83 per cent are aware of the programs available to them for problem gambling. We will continue to make this a priority and further improve awareness of the initiatives and programs for prevention and treatment.

The positive results achieved this year reflect the commitment to excellence that is demonstrated by Ministry staff. Staff worked hard over the course of the year to maintain positive working relationships with industry and community stakeholders. Staff also continued to provide exceptional service and demonstrated a commitment to superior business processes, as evidenced by the bronze and gold Premier's Award of Excellence awarded to staff.

Alberta Gaming understands the importance of maintaining our commitment to social responsibility and integrity in the province's gaming and liquor industries. I take great pride in the fact that we are dedicated to this commitment and have provided exceptional service to Albertans.



Norman C. Peterson
Deputy Minister

Expense by Core Business

Ministry Expense* by Core Business: March 31, 2005

(thousands of dollars)	Budget	2005 Actual	2004 Actual
1. Ensure that Alberta's liquor industry operates with integrity and accountability and in a socially responsible manner.	$ 565	$ 391	$ 417
2. Ensure that Alberta's gaming industry operates with integrity and accountability and in a socially responsible manner.	2,732	2,333	2,382
3. Ensure the Alberta Lottery Fund benefits Alberta communities.	1,168,498	1,267,332	1,132,159
Total Ministry Expense	$ 1,171,795	$ 1,270,056	$ 1,134,958

* Ministry expense includes Alberta Lottery Fund payments to other ministries.

Expense by Function

Ministry Expense* by Function: March 31, 2005

(thousands of dollars)	Budget	2005 Actual	2004 Actual
Health	$ 232,274	$ 232,274	$ 246,380
Education	207,533	207,533	211,400
Social Services	30,000	30,000	30,000
Agriculture, Resource Management and Economic Development	181,691	210,629	175,655
Regional Planning and Development	24,000	24,000	60,000
Protection of Persons and Property	1,265	1,265	1,265
Transportation, Communications and Utilities	160,000	160,000	60,000
Environment	-	-	-
Recreation and Culture	203,667	200,684	150,475
Housing	6,000	6,000	-
General Government	125,365	197,671	199,783
Total Ministry Expense by Function	$ 1,171,795	$ 1,270,056	$ 1,134,958

* Ministry expense includes Alberta Lottery Fund payments to other ministries.

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Information

AUDITOR GENERAL
Alberta

To the Members of the Legislative Assembly

In connection with the Ministry of Gaming's performance information included in the *2004-2005 Annual Report of the Ministry*, I have:

Key performance measures

1. Agreed information from an external organization to reports from the organization.

2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.

3. Checked that the presentation of results is consistent with the stated methodology.

4. Checked that the results presented are comparable to stated targets, and information presented in prior years.

5. Checked that the key performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2004.

Supplemental information

6. Agreed the information to source reports. In addition, I checked that the supporting narrative is consistent with the information.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance information included in the *2004-2005 Annual Report of the Ministry of Gaming*.

Fred J. Dunn
FCA
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Edmonton, Alberta
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Core Business 1

Ensure that Alberta's liquor industry operates with integrity and accountability and in a socially responsible manner.

The Ministry's first core business focuses on the liquor industry in Alberta. The Ministry relies on the Alberta Gaming and Liquor Commission (AGLC), an entity within the Ministry, to deliver a range of administrative and regulatory services to ensure the integrity and accountability of the liquor industry in Alberta. The Ministry strives to ensure liquor activities are delivered in a socially responsible manner, are consistent with public expectations, and continue to serve and contribute to society.

Goal 1 The integrity of Alberta's liquor industry is maintained and liquor policies achieve a balance between choice, social responsibility and economic benefit.

The Ministry is committed to ensuring Alberta's liquor industry will continue to be among the most progressive and competitive in the country and continue to lead the nation in terms of supply, distribution, pricing and customer service. The Ministry ensures the regulation of the liquor industry through the provisions of the *Gaming and Liquor Act* and Regulation.

Key Activities

The key activities undertaken in relation to Goal 1 during 2005 include:

Cottage Winery Policy

"Wine tastings and tours are an important aspect of wine culture and this new licence will allow this type of activity to take place."

Alberta Gaming Minister Gordon Graydon, press release, February 2, 2005

Beginning February 1, 2005, amendments to the Gaming and Liquor Regulation and liquor policies allow small farm-based (cottage) wineries licensed by the AGLC to be established and operated on fruit farms in the province. These wineries will allow fruit farmers to develop new products for consumers, bring added-value to the industry and encourage farm diversification and food tourism. The new cottage winery policy is a good fit within the government's Alberta Rural Development Strategy. Under the cottage winery policy, the licensees may possess and store the wine they manufacture, sell the wine at the winery and conduct public tastings of the wine they produce.

Liquor Products and Services

Alberta's privatized model of liquor warehousing, distributing and retailing is one of the most progressive and competitive in Canada. This model continues to benefit consumers and retailers through a wide array of available liquor products, convenient store hours and locations, and the liquor industry's commitment to socially responsible service. At the end of March 2005, there were 1,086 retail outlets

throughout the province and more than 12,500 liquor products available to consumers. This compares to 304 government liquor retail outlets and 3,325 liquor products available in 1993, when privatization was initiated by the government. More than 4,000 full-time and part-time jobs have been created under the privatized model compared to 1,300 full-time and part-time jobs in 1993.

In 1993, the Government of Alberta privatized liquor retailing.

Bring Your Own Wine

In 2004-2005, 276 licensed premises participated in the Bring Your Own Wine program, a progressive initiative introduced to the province in October 2003. The program gives consumers more choices by giving them the opportunity to bring a bottle of their own pre-purchased wine to participating restaurants.

Recorking Partially Consumed Bottles of Wine

Upon the customer's request, licensed premises are required to recork partially consumed bottles of wine for customers to take home with them when they leave the restaurant, so the customers do not feel compelled to finish a bottle of wine at the restaurant.

Regulatory Activities

The Ministry helps maintain the integrity of the liquor industry through regular inspections of liquor establishments. The aim of these inspections, conducted by the AGLC, is to ensure licensees are complying with liquor legislation, regulation and policies. The inspections are also an opportunity for Inspectors to address any issues or questions liquor licensees may have about the obligations and requirements of their liquor licences. In 2004-2005, the AGLC conducted over 25,000 inspections of liquor establishments and, as a result, 571 incident reports were generated. Incident reports detail alleged violations and are used in the process of taking disciplinary action against a licensee for failing to comply with legislation, regulation or policies. Disciplinary actions are decided by the Board of the AGLC and range from warnings to monetary penalties and suspension or cancellation of liquor licences.

In 2004-2005, the Board held 48 liquor-related hearings. As a result of these hearings, 33 fines were assessed, one suspension was served, seven warnings were issued, four cases were dismissed, one decision resulted in a judicial review application, one request for a special event licence was denied, and one request by the licensee to change from a minors allowed to minors prohibited liquor licence was granted.

Did you know? In 1916, a new Liquor Act effectively abolished the sale of liquor except if prescribed for medical purposes in response to a plebiscite held in 1915. Alcohol was permitted again in 1924.

Violence in Liquor Premises

The Ministry initiated research in 2004-2005 to determine whether, in fact, violence in and around licensed premises is increasing. Since any violence in licensed premises is a serious matter and impairs the reputation of the liquor industry, all incidents of violence are investigated by the proper authorities, including the AGLC in cooperation with local police services. Results from the research are expected in 2006. If the results confirm a trend of increasing violence, the AGLC will work with police services to find out why and how this issue can best be addressed.

Checking for Minors – Under 25 Policy

2005 Premier's Award of Excellence

The Under 25 Policy is an initiative to maintain integrity in the liquor industry by preventing the sale or service of liquor to minors, that is, those under 18 years of age. During 2004-2005, the Ministry continued to enforce this policy requiring all liquor licensees to request proof of age from anyone who appears to be under the age of 25. The Ministry, through the AGLC, has worked closely with the liquor industry to promote and create awareness of the policy among consumers and licensee staff. The results show liquor licensees have become more vigilant about keeping liquor out of the hands of minors. In 2004-2005, 83 per cent of audited licensees complied with the policy. This is a notable improvement from 2003-2004 where 67 per cent of licensees audited were in compliance with the policy and a contributing factor to the Under 25 Project Team receiving a Gold Premier's Award of Excellence in June 2005.

Keeping Albertans Informed

The Ministry of Gaming is committed to being open and accountable in its activities. It provides Albertans and stakeholders with ways to learn more about the liquor industry, liquor legislation, regulation and policies, and the activities of the Ministry of Gaming. The Ministry's website at **www.gaming.gov.ab.ca** provides information to Albertans on a range of liquor-related topics and issues. The website also includes links to related sites such as the AGLC website (**www.aglc.gov.ab.ca**). Ministry staff also respond to thousands of calls, letters and e-mails each year from the public enquiring about a range of topics, from licensing procedures to facts and figures about liquor services and the liquor industry in the province and providing comments on liquor policies.

Performance Measures – Goal 1

About the Survey Methodology

The results for key performance measures for Goals 1, 2, 3, 4 and 6 were obtained from a telephone survey conducted by Research Innovations Inc. on behalf of Alberta Gaming. One thousand adult Albertans were interviewed in January 2005, providing a margin of error of +/-3.2 per cent with a 95 per cent level of confidence. A stratified random sample of Albertans was interviewed. The sample was stratified by region, and by age and by gender within each region, based on the 2001 census data of Statistics Canada. The sample was drawn randomly from the most recent residential phone listings within Alberta. Respondents were considered satisfied if they indicated they were very satisfied, satisfied or somewhat satisfied. The possible responses were very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied or very dissatisfied.

The Ministry of Gaming uses various performance measures to determine its progress toward achieving its goals. Some of these involve public surveys. Each year, the Ministry surveys Albertans to determine their level of satisfaction with the manner in which the liquor industry is conducted.

The key measure is a reflection of whether or not the integrity and accountability of Alberta's liquor industry is being maintained. If satisfaction with the conduct of the liquor business is high, this is an indirect indication that the policies and legislation put in place by the Ministry are working well and meeting Albertans' expectations as are the key activities described above.

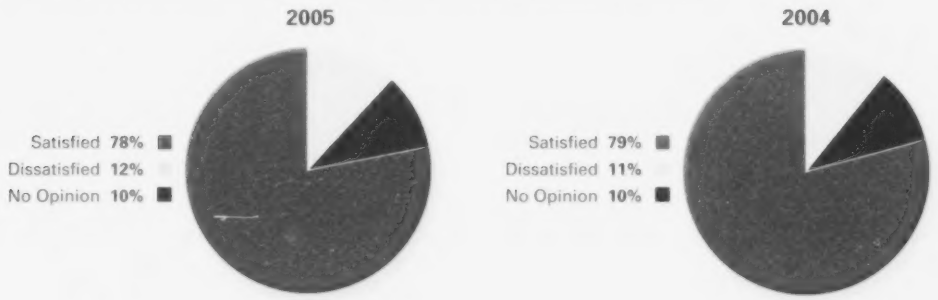
Key Measure

	2005		2004	
	Target	**Result**	Target	Result
Percentage of Albertans surveyed who are satisfied with the conduct of the liquor business in Alberta	80%	**78%**	80%	79%

When asked to rate overall satisfaction with the way the liquor business is conducted in Alberta, 78 per cent of Albertans surveyed indicated they were satisfied, slightly lower than the target of 80 per cent. The percentage of Albertans dissatisfied with the conduct of the liquor business was 12 per cent compared to 11 per cent in the previous year. While the result achieved in 2005 is slightly below the result achieved in 2004, the difference is not statistically significant. The Ministry will continue its commitment to regulating the industry and ensuring it operates in compliance with legislation and policy.

ALBERTA LOTTERY FUND

Overall satisfaction with the conduct of the liquor business in Alberta

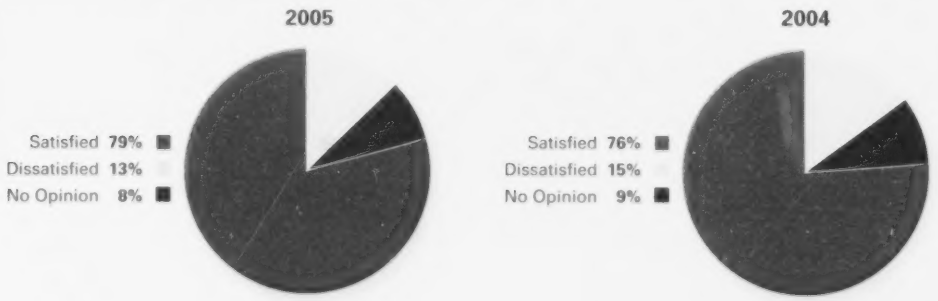


Supplemental Information:

Respondents were also asked to rate their satisfaction with specific aspects of the liquor business. It was explained to respondents that the Alberta government privatized the retailing of liquor in 1993 and the government continues to regulate and license the liquor industry in Alberta. Satisfaction with how liquor is sold is an indirect measure of Albertans' satisfaction with the current balance between choice and social responsibility. Seventy-nine per cent of respondents were satisfied with how liquor is sold in Alberta, an increase of three percentage points from the previous year.

	2005 Result	2004 Result
Satisfaction with how liquor is sold in Alberta	**79%**	76%

Satisfaction with how liquor is sold in Alberta



Seventy-six per cent of respondents purchased liquor at a retail store during the past 12 months. Of these respondents, the overwhelming majority were satisfied with the following aspects:

	2005 Result	2004 Result
Percentage satisfied with the overall level of service generally received	**97%**	97%
Percentage satisfied with the location of liquor stores	**93%**	94%
Percentage satisfied that business was conducted in a responsible manner	**93%**	96%
Percentage satisfied with the selection of products in liquor stores	**92%**	93%
Percentage satisfied with the hours of operation of liquor stores	**91%**	93%
Percentage satisfied with the price of products	**72%**	73%

Almost two-thirds or 65 per cent of respondents purchased liquor at a restaurant, lounge or bar in Alberta in the last 12 months. These respondents were asked to rate their satisfaction with the hours of operation and whether or not service was provided in a responsible manner.

	2005 Result	2004 Result
Percentage satisfied with the hours of operation of these establishments	**92%**	94%
Percentage satisfied that service was provided in a responsible manner	**93%**	93%

Goal 2 Albertans are aware of prevention and treatment programs for alcohol abuse.

The Ministry is committed to ensuring that Alberta's liquor industry operates in a socially responsible manner. The Ministry partners with the Alberta Alcohol and Drug Abuse Commission (AADAC), stakeholders and others to ensure the availability of prevention and treatment programs for alcohol abuse. It works with AADAC and its other partners to help promote these programs.

Key Activities

Key activities undertaken in 2004-2005 to achieve Goal 2 include:

Working with Stakeholders

The Ministry is committed to partnering with AADAC and the liquor industry to ensure consumers of alcohol are aware of prevention and treatment programs for alcohol abuse. For example, the Ministry participates in the Young Adult Social Marketing Campaign, a cross ministry committee to promote the responsible consumption of alcohol. AADAC's contact information is also available on the AGLC web site.

The Ministry also collaborates with its partners in the liquor industry to promote social responsibility in the sale, service and consumption of liquor. AADAC assists the Ministry in developing effective social responsibility programs that are delivered to the public through its other partners, including the Alberta Liquor Store Association, Alberta Hotel and Lodging Association, and the Alberta Restaurant and Foodservices Association.

Alberta Youth Experience Survey

During the year, the Ministry provided reviews and feedback to AADAC on research studies including The Alberta Youth Experience Survey regarding the use of drugs, alcohol and tobacco among young people in the province. This and other prevalence research studies, which examine population attitudes and practices related to consumption of liquor, assists the Ministry to develop effective social responsibility initiatives and policies.

Alberta Server Intervention Program

During the year, a new province-wide certification program for liquor industry staff was launched by the Alberta Server Intervention Training Program Society with the support of the Ministry and in conjunction with various industry stakeholders and AADAC. Under the Alberta Server Intervention Program (ASIP), those involved in the sale of liquor to the public are trained under a uniform system with the highest standards. ASIP was designed to raise awareness about the responsible sale and service of alcohol by educating servers. The program helps servers prevent over consumption by patrons and also helps reduce the possibility of impaired driving by patrons. The program gives servers practical approaches to prevent liquor service to minors, including complying with AGLC policies and asking for proof of age from anyone appearing to be under 25 years of age.

The Ministry has committed $1 million over three years to support the program's development. The Alberta Liquor Industry Round Table has committed $150,000 over the same period for program development.

TAXI Program

The AGLC is a co-sponsor of the # TAXI program, designed to encourage patrons of licensed premises not to drink and drive. A patron presses # TAXI on his or her cell phone, which quickly and automatically scrolls local taxi companies until it reaches the first company available to drive the patron home. The program was promoted widely in bars throughout the province during the fiscal year.

Provincial Impaired Driving Committee

The Ministry is represented on the Provincial Impaired Driving Committee. Through its involvement, the Ministry has contributed to the development of provincial prevention, education and enforcement strategies and policies to make Alberta's roads safer, with a focus on preventing impaired driving. This committee is involved in developing the province's Traffic Safety Plan.

Fetal Alcohol Syndrome Disorder (FASD)

The Ministry participates on the Alberta cross ministry committee on FASD. This provincial group is the primary vehicle to support a collaborative approach to planning and delivering provincial government programs and services associated with FASD. The cross ministry committee is developing a provincial FASD strategic plan and stakeholder consultation process. During the fiscal year, the AGLC provided facilitation and consultation for a liquor industry-sponsored FASD prevention campaign.

Performance Measures – Goal 2

The Ministry is committed to ensuring that Albertans are aware of prevention and treatment programs for alcohol abuse. The results for this key measure reflect the success of the above actions in attaining this goal.

Key Measure

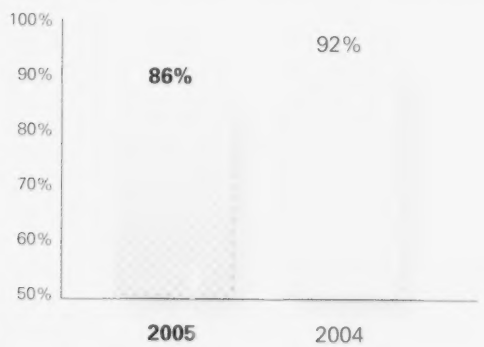
	2005		2004	
	Target	Result	Target	Result
Percentage of Albertans surveyed who are aware of prevention and treatment programs for alcohol abuse	88%	**86%**	90%	92%*

* Previous year's results were restated to reflect new methodology

This year's survey indicated the majority of respondents (86 per cent) have heard, seen or read information about prevention and treatment programs for alcohol abuse. This is a decrease from 2004, when 92 per cent of respondents were aware of prevention and treatment programs for alcohol abuse.

At this point in time, it is difficult to identify the reason for the decrease. The results for this performance measure for 2004 have been restated to reflect the percentage of Albertans surveyed who were aware of prevention and treatment programs for alcohol abuse only. Results for this measure were previously reported as the combined awareness of prevention and treatment programs for both problem gambling *and* alcohol abuse. As of 2005, results will be reported separately to better reflect the intent of the goals. The Ministry will continue to work in partnership with AADAC and the liquor industry to raise awareness of prevention and treatment programs for alcohol abuse.

Albertans' awareness of prevention and treatment programs for alcohol abuse



Financial Results for Core Business 1

Financial Results (millions of dollars)	Budget	2005 Actual	2004 Actual
Gross liquor profit and other revenue	$ 570.2	$ 583.0	$ 571.7
Liquor related operating expense	19.4	16.4	15.1
Net revenue from liquor operations	550.8	566.7	556.6
Expense by Core Business	0.6	0.4	0.4

Core Business 1 supports the Ministry's commitment to ensuring Alberta's liquor industry operates with integrity and accountability. The Ministry also remains committed to ensuring a balance between consumer choice and social responsibility.

The Ministry continues to monitor emerging issues and trends to assess their impact on the liquor industry and policies and practices. Alberta's economy remains strong, with an unemployment rate of 4.0 per cent (seasonally adjusted, April, 2005). Alberta's population also continues to increase – as of January 1, 2005, Statistics Canada reported over 3.2 million people living in Alberta, an increase of over 44,000 since January 2004.

Alberta's growing population means there are more adults who may wish to purchase and consume liquor products. The growing number of consumers is reflected in the increase in gross liquor profit reported by the Ministry for 2005.

The gross liquor profit and other revenue is the cumulative provincial mark-up on liquor products sold in Alberta and revenue from other sources, such as licenses, permits, fees, levies, fines and interest. The increase in gross liquor profit and other revenue is due to strong spirit, wine and beer sales. In 2005, over 208,000 hectolitres of spirits were sold, compared to approximately 200,000 hectolitres in 2004. Over 235,000 hectolitres of wine were sold in 2005, compared to approximately 218,000 in 2004. Over 2,363 thousand hectolitres of beer were sold in 2005, compared to 2,310 thousand hectolitres in 2004. More private retail outlets were also opened to customers – 1,086 outlets were open in 2005, compared to 1,039 in 2004. Gross liquor profit and other revenue were $12.8 million higher than budgeted. The expected shift to lower mark-up product was more than offset by higher overall sales volumes. The 2005 actual gross profit and other revenue of $583 million is over $11 million greater than the 2004 actual of almost $572 million.

Liquor related operating expenses were $16.4 million in 2005, which is slightly higher than in 2004. This is a reflection primarily of increased regulatory activities, such as the Under 25 Initiative and other operating costs. Liquor related operating expenses were $3 million lower than budgeted.

The resulting net revenue from liquor operations of almost $567 million forms part of the general revenues of the government and is used to fund core government programs.

The expense for Core Business 1 of almost $400 thousand relates primarily to the cost of policy development and communication of liquor matters within the Department of Gaming. The costs of regulating and social responsibility activities related to this Core Business are borne by the AGLC and are reflected in the $16.4 million cost of liquor operations. In total, the Ministry spent $16.8 million to achieve its goals within Core Business 1.

ALBERTA LOTTERY FUND

Ensure that Alberta's gaming industry operates with integrity and accountability and in a socially responsible manner.

Did you know? In 1967, Alberta's first casino opened at Edmonton's annual fair. This casino was operated by a non-profit charitable group.

The Ministry's second core business focuses on the gaming industry in Alberta, which includes both charitable gaming and provincial gaming activities.

The province is a leader with its unique charitable gaming model for casino, pull-ticket, raffle and bingo events. These gaming activities may occur only when eligible religious and charitable organizations apply for and receive licences to conduct gaming activities. Alberta's charitable gaming model ensures proceeds from gaming activities benefit communities throughout Alberta.

Provincial gaming activities include electronic gaming (e.g., slot machines, video lottery terminals, electronic bingo, and Keno) and ticket lotteries. The Ministry is responsible for the conduct and management of electronic gaming in Alberta under the authority of the Criminal Code (Canada), provincial legislation and policy. The Ministry, through the AGLC, owns and operates video lottery terminals and electronic bingo units in licensed premises, and slot machines in licensed casino facilities and racing entertainment centres. The AGLC, in partnership with the Western Canada Lottery Corporation, operates ticket lotteries in the province.

The Ministry strives to ensure gaming activities are delivered in a socially responsible manner, are consistent with public expectations, continue to serve and contribute to society, and are of the greatest benefit to Albertans. The Ministry obtains the input of Albertans and works closely with stakeholders in the gaming industry as it develops gaming policies. Stakeholders include those directly involved in the gaming industry or providing services to the industry, and those with related experience or interest. These include licensed gaming facility operators such as casinos and racing entertainment centres, other suppliers of gaming products and services, agricultural organizations, First Nations, charitable organizations, advocacy groups and government or public services such as municipalities, police services and the Alberta Alcohol and Drug Abuse Commission (AADAC).

Goal 3 — The integrity of Alberta's gaming industry is maintained and gaming policies achieve a balance between choice, social responsibility and economic benefit.

The Ministry is committed to ensuring that Alberta's gaming industry operates with integrity and that legislation and policy strike a balance between choice, social responsibility and economic benefit. The Ministry ensures the regulation of the gaming industry through the provisions of the *Gaming and Liquor Act* and Regulation.

Key Activities

Key activities undertaken in relation to Goal 3 during 2004-2005 include:

Gaming Policies Implemented

In 2004-2005, the Ministry continued to implement the policy recommendations arising from the comprehensive Gaming Licensing Policy Review (GLPR), a review which was aimed at ensuring any growth in gaming in the province is carefully managed, controlled and regulated, and balances consumer demand for gaming and its economic benefits with the public acceptance and social impacts of gaming. To date, 59 out of 61 GLPR recommendations have been successfully implemented. The recommendations reflect the government's continued commitment to maintain Alberta's unique charitable gaming model and to ensure the gaming industry operates in a socially responsible manner.

Traditional Casinos

The government accepted a recommendation of the Gaming Licensing Policy Review to license new charitable casinos, including First Nations casinos, using a comprehensive eight-step licensing process that must take into account the support or lack of support of local communities for a new casino. All eligible applicants must progress systematically through the eight steps of the process before a casino licence may be issued.

As of March 2005, one new casino was in step eight of the eight-step casino licensing process in each of three Tourism Destination Regions (TDRs) (Calgary, Alberta Central and Edmonton). These casinos are the Deerfoot Inn and Casino in Calgary, the Camrose Casino in Camrose and the Celebrations Casino in Edmonton. They have been given permission to begin construction. The casino licensing process closed in prior years for the Alberta North and Alberta South TDRs without approval of new casinos because no incremental benefit to Alberta's charities was evident. The current status of casino applications is available at **www.aglc.gov.ab.ca**.

First Nations Casinos

First Nations casino applicants follow a similar eight-step process to that used by traditional casino applicants. As of March 2005, there were seven applications for First Nations casinos in three TDRs. Two applications were in step eight and received permission to begin construction of casinos on reserve lands. These were the Enoch Cree Nation, west of Edmonton, and the Alexis Nakota Sioux Nation, west of Whitecourt. The casino licensing process for First Nations casinos continues in the Alberta Central, Calgary and Canadian Rockies TDRs. Two applications for First Nations casinos were withdrawn. There were no First Nations casinos operating in Alberta in 2004-2005. The current status of First Nations casino applications is available at **www.aglc.gov.ab.ca**.

Regulatory

The Ministry undertakes a variety of regulatory activities to ensure the integrity of gaming activities in the province. This includes inspections of licensed facilities and gaming activities, investigations into criminal activities and forensic audits.

During the past year, 5,291 gaming inspections were conducted from which a number of incident reports were generated. Incident reports detail alleged contraventions of legislation or policy and are used in the process of taking disciplinary action against a licensee or registrant. The AGLC also handled 377 gaming-related criminal investigations that resulted in 41 individuals being charged with various offences under the *Criminal Code* (Canada). Charges include those related to theft, fraud, forgeries and cheating at play. This compares to 433 criminal investigations resulting in 25 individuals being charged in 2004.

The Gaming Investigation Team (GIT) conducted 82 criminal investigations that resulted in two individuals being charged with offences under the *Criminal Code* (Canada). Four of the investigations are scheduled to continue in 2006. GIT is a joint force of law enforcement bodies, funded by the AGLC and mandated to identify and prosecute illegal gaming activities that affect licensed gaming activities (e.g., theft, fraud, cheating at play, after-hours poker clubs, etc.).

The AGLC worked on 286 forensic audit files, including routine audits, theft investigations, financial due diligence investigations, assistance with policy reviews, financial analysis and responding to third-party complaints and stakeholder requests. Of these audit files, 175 were new files opened during the year and 111 were carried over from 2004. Work was concluded on 206 files.

Gaming Information for Charitable Groups (GAIN)

Comment from GAIN session participant:

"This is an important resouce for volunteers! Keep up the good work."

Nov. 2, 2004

2005 Premier's Award *of* Excellence

GAIN sessions help charitable groups understand the responsibilities and requirements of holding a gaming licence. In 2004-2005, the AGLC delivered 178 GAIN sessions in 101 communities throughout Alberta. Nearly 5,000 participants representing more than 2,770 charitable groups attended the sessions. In addition, 18 specialized sessions were arranged in response to requests for information about Alberta's charitable gaming model. In response to further requests from charitable groups, additional specialized GAIN sessions focusing on the use of charitable gaming proceeds will be introduced in 2006. The GAIN program has been very well received by charitable organizations and the Ministry is proud of the program. The GAIN work unit was awarded a Bronze Premier's Award of Excellence in June 2005.

Keeping Albertans Informed

The Ministry is committed to being open and accountable in its activities, including those directed to maintaining the integrity of gaming and in achieving a balance between choice, social responsibility and economic benefit. Albertans are able to access information on a variety of gaming issues and topics by visiting **www.gaming.gov.ab.ca**. The website also includes links to related sites, such as the Alberta Gaming and Liquor Commission website (**www.aglc.gov.ab.ca**) and the Alberta Lottery Fund website (**albertalotteryfund.ca**), which includes a searchable database with examples of lottery funding. The Ministry also responds to thousands of calls, letters and e-mails each year from the public enquiring about a range of topics, from licensing procedures to facts and figures about gaming in the province and providing comments on gaming policy matters.

Performance Measures – Goal 3

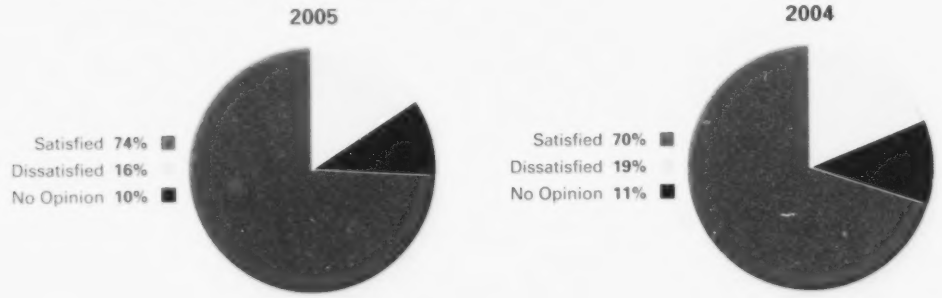
This key measure reflects Alberta Gaming's commitment to ensuring Alberta's gaming industry operates with integrity and accountability. If the majority of Albertans are satisfied with the conduct of legal gaming in Alberta, this is an indirect indication that Alberta's gaming industry is operating in compliance with legislation and policy and that the key activities described above are effective and are meeting Albertans' expectations.

Key Measure

	2005		2004	
	Target	**Result**	Target	Result
Percentage of Albertans surveyed who are satisfied with the conduct of legal gaming in Alberta	75%	**74%**	70%	70%

In 2005, respondents were asked how satisfied they are, overall, with the conduct of legal gaming entertainment in Alberta. The majority of respondents (74 per cent) were satisfied, a slight increase from last year's results. While it is difficult to identify any one action leading to the improvement in satisfaction results from 2004 to 2005, the AGLC's activities related to regulation, criminal investigations and forensic audits likely contributed positively towards satisfaction.

Percentage of Albertans surveyed who are satisfied with the conduct of legal gaming in Alberta



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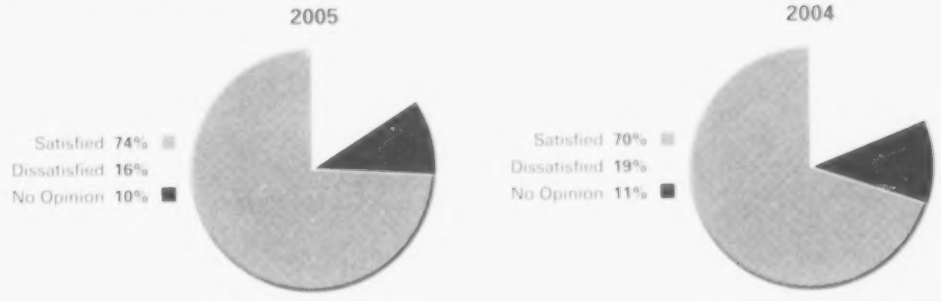
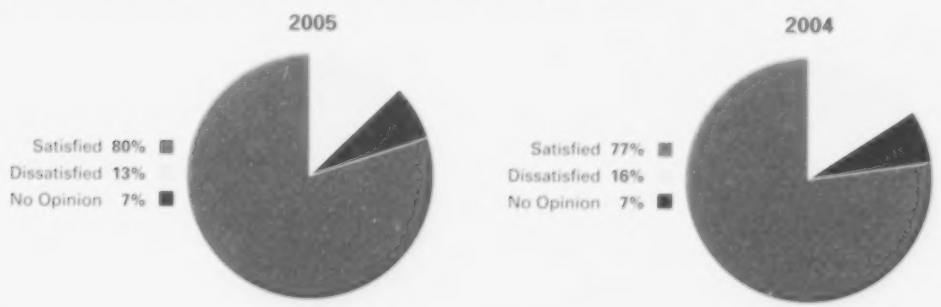


Supplemental Information:

In addition to assessing overall satisfaction with the conduct of legal gaming entertainment, respondents were also asked to rate their satisfaction with various aspects of gaming activities. It was explained that Alberta has a charitable gaming model where only licensed charitable and religious organizations can conduct raffles, casino events, bingos and pull-ticket sales. Respondents were further advised that these activities generated more than $238 million for charitable and religious organizations in Alberta. When asked how satisfied they are with Alberta's charitable gaming model, 80 per cent indicated they were satisfied, an increase of three percentage points from 2004.

	2005 Result	2004 Result
Satisfaction with Alberta's charitable gaming model	**80%**	77%

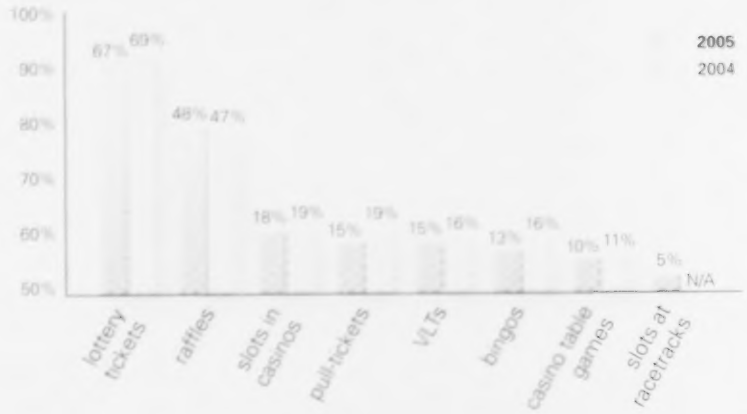
Satisfaction with Alberta's Charitable Gaming Model



Respondents were also asked if they purchased or participated in eight different gaming products or activities. A majority of respondents purchased lottery tickets, less than half participated in raffles and less than 20 per cent participated in the other forms of gaming.

	2005 Result	2004 Result
Participated in Gaming Product or Activity		
Lottery tickets	**67%**	69%
Raffles	**48%**	47%
Slots in casinos	**18%**	19%
Pull-tickets	**15%**	19%
VLTs	**15%**	16%
Bingos	**13%**	16%
Casino table games	**10%**	11%
Slots at racetracks	**5%**	n/a

Participation in gaming activities



There are 52 Bingo association halls, 16 charitable casino facilities and 5 horse race tracks in Alberta.

Those who purchased or participated in the eight different gaming products or activities over the past 12 months were further asked how satisfied they were that the activity was provided fairly and in a responsible manner. Over 80 per cent of participants are satisfied that each gaming product or activity was provided fairly and in a responsible manner.

	2005 Result	2004 Result
Satisfied that Gaming Activity was Provided Fairly and in a Responsible Manner		
Raffles	**95%**	95%
Pull-tickets	**95%**	92%
Lottery tickets	**93%**	92%
Bingos	**92%**	93%
Casino table games	**91%**	95%
Slots in casinos	**87%**	n/a
Slots at racetracks	**84%**	n/a
VLTs	**81%**	77%

ALBERTA LOTTERY FUND

Goal 4

Albertans are aware of prevention and treatment programs for problem gambling.

The Ministry is committed to ensuring the gaming industry operates in a socially responsible manner. The Ministry partners with AADAC, stakeholders and others to ensure the availability of prevention and treatment programs for those who may experience a problem with gambling. Research into various aspects of gaming is funded to enhance understanding and assist policy development.

Key Activities

Key activities undertaken in 2004-2005 in relation to Goal 4 include:

Distributing Information Materials

The AADAC Help Line is available province-wide and toll-free by calling 1-866-33AADAC.

The Ministry works closely with AADAC to distribute booklets, pamphlets and periodicals on a variety of topics to gaming licensees. Materials include quick facts about drugs and gambling, and addictions awareness. AADAC develops and carries out treatment programs for problem gamblers and those with alcohol and other drug dependencies. Information about responsible gaming programs is available to players at gaming venues. Information about AADAC's 24-hour problem gambling help-line (1-866-332-2322) is displayed or made available in casinos, bingo halls, VLT retailer locations and ticket lottery centres throughout Alberta.

Promoting Social Responsibility

The government recognizes that for some individuals gambling can become an addiction and that any addiction can be devastating to individuals and their families. In 2004-2005, the Ministry of Gaming continued to collaborate with AADAC and the gaming industry to promote responsible consumption of gaming products and improve existing social responsibility programs. AADAC assists the Ministry in developing effective social responsibility programs that are delivered to the public through its other partners, including gaming providers. In addition, the Ministry, through the AGLC, participates in national organizations such as the Canadian Partnership for Responsible Gambling and the Interprovincial Lottery Corporation. Both organizations are actively pursuing best practices in responsible gambling initiatives.

Developing a Strategic Plan

In 2004-2005, the Social Responsibility Division of the AGLC began developing a comprehensive five-year strategic plan for social responsibility in the gaming and liquor industries in the province. The strategic plan will better coordinate the social responsibility activities already in place and reflect the Ministry's direction to ensure the gaming and liquor industries act with social responsibility, integrity and accountability. The Ministry recognizes that Albertans want to know both the positive and negative impacts of gaming activities in their communities, and what is being done to help reduce the negative impacts. The strategic plan calls for sound research and wide stakeholder involvement as inputs to policy development.

"As research becomes available, greater attention is being paid to creating awareness about the potential negative effects of gaming on people. It is important to help people gamble responsibly and play within their limits."

Alberta Gaming Minister, Gordon Graydon, speech to participants of the 4th Annual Conference on Gambling Research, Apr. 1, 2005

Responsible Gaming Program for Retailers

The Ministry continued to carry out and enhance the responsible gaming program involving gaming retailers, including video lottery terminal (VLT) retailers, casino operators and racing entertainment centres (RECs).

The VLT retailer program, developed with AADAC, has two mandatory and two voluntary components. VLT retailers fulfilling all four of the components are identified as a Responsible Gaming Venue and are eligible for an award. The award recognizes the retailer's participation in the program and includes an advertisement in the retailer's local newspaper and a wall plaque for display at the site.

In 2004-2005, the AGLC dedicated more effort to informing retailers of the importance of the responsible gaming program, including bulletins, direct contact from field technicians and trainers, and information posted on the AGLC website. As a result, in 2004-2005, over 300 retailers participated in all four components of the program and were eligible for an award.

During 2004-2005, approximately 70 sessions of *Deal Us In* were held involving about 1,300 staff in 16 casinos and three RECs. The *Deal Us In* Program is a training program for all casino and REC staff. The program has two phases: Phase 1 – responsible gaming awareness training, and Phase 2 – intervention training and communication skills.

All participants in either the *Deal Us In* Program for casinos and RECs or the Responsible Gaming Program for VLT retailers receive a certificate of completion. Over 5,000 certificates were awarded in 2005. A total of over 15,000 certificates have been awarded since 2001.

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Responsible Gaming Features

All VLTs in the province have responsible gaming features which target the at-risk and problem gambler, including "reality checks" for players such as:

- A clock that is visible on the screen at all times. This allows players to track the amount of time they are playing.
- Timed pop-up announcements that remind players of how long they've been playing. Players are then asked if they wish to continue or end the session.
- A bank that is posted in both dollars and credits to help players better monitor and keep track of how much has been wagered.
- A problem gambling help-line message and a toll-free Gamblers' Help-Line phone number that scrolls across the screen.

A long-term study to measure the effectiveness of the reality checks and other elements in the VLT gaming environment continued in 2004-2005.

Reducing Number of VLT Locations

The Ministry, through the AGLC, continued to reduce the number of locations with VLTs and to maintain the maximum number of VLTs in the province at 6,000 terminals. The limit of 6,000 VLT terminals has been in effect since 1995. The process of reducing the number of locations with VLTs began in 2002. By the end of March 2005, the number of VLT locations was reduced by 13 per cent, from 1,272 locations in 2002 to 1,110 locations in 2005.

Voluntary Self-Exclusion Program

Nearly 3,000 people have signed Voluntary Self-Exclusion Program agreements since the program began and there are close to 1,600 participants currently active in the program. This program, developed with the gaming industry and introduced in September 2000, is designed for Albertans who feel it is in their best interest not to participate in casino or racing entertainment centre (REC) gaming activities. By submitting an application to the AGLC, participants can voluntarily agree to be excluded from entering all Alberta casinos and RECs for a specified period of time (minimum six months to a maximum of three years).

In 2004-2005, eighteen individuals participating in the program were charged with trespassing under Section 70(b) of the *Gaming and Liquor Act* (re-entering a licensed premise) for entering a casino or REC after signing a voluntary Self-Exclusion agreement.

Sponsoring Research

The Ministry understands the value of supporting research. Since 1999, the Alberta Gaming Research Institute has received $9 million from the Alberta Lottery Fund. The primary aim of the Institute is to support academic research that can be used to formulate effective public policy. This is achieved through building research capacity at the partner universities, sponsoring specific research initiatives, organizing seminars and conference events, and disseminating information via the library and resource service program and other publication mechanisms, both print and electronic. For more information, visit **www.abgaminginstitute.ualberta.ca**.

Ten research projects sponsored by the Alberta Gaming Research Institute were completed in 2004-2005. Thirteen more are expected to be completed in 2005-2006. The Institute sponsors research that falls within four broad domains: bio-physical and healthcare, socio-cultural, economic, and government and industry policy and practice. Further information is available in the Institute's Annual Report and on its website at **www.abgaminginstitute.ualberta.ca**.

Performance Measures – Goal 4

The Ministry is committed to ensuring that Albertans are aware of prevention and treatment programs for problem gambling. The Ministry partners with AADAC and the gaming industry to ensure consumers of gaming products are aware of prevention and treatment programs for problem gambling. The results of this measure are a reflection of the success of the Ministry's actions, including the key activities described above.

Key Measure

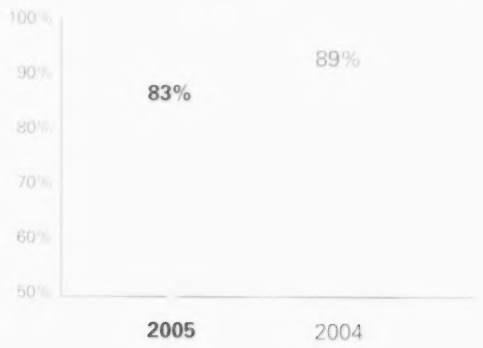
	2005		2004	
	Target	Result	Target	Result
Percentage of Albertans surveyed who are aware of prevention and treatment programs for problem gambling	86%	**83%**	90%	89%*

* Previous year's results were restated to reflect new methodology.

This year's survey indicated that the majority of respondents (83 per cent) have heard, seen or read information about prevention and treatment programs for problem gambling. This is a decrease from 2004, when 89 per cent of respondents were aware of prevention and treatment programs for problem gambling.

Without additional data, it is difficult to identify the reason for the decrease. Results for this measure were previously reported as combined awareness of prevention and treatment programs for problem gambling and alcohol abuse. Results were reported separately in 2005 to better reflect the intent of the goals. The Ministry will continue to work with its partners to assess current initiatives and implement ones designed to improve knowledge of prevention and treatment programs for problem gambling.

Albertans' awareness of prevention and treatment programs for problem gambling



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Albertans' awareness of prevention and treatment programs for problem gambling

Financial Results for Core Business 2

Financial Results (millions of dollars)	Budget	2005 Actual	2004 Actual
Gross gaming profit	$ 1,688.2	$ 1,770.7	$ 1,592.8
Commissions and federal payments	390.0	398.2	362.0
Gaming related operating expense	136.4	112.8	103.7
Net revenue from gaming operations	1,161.8	1,259.7	1,125.2
Expense by Core Business	2.7	2.3	2.4

Core Business 2 supports the Ministry's commitment to ensure Alberta's gaming industry operates with integrity and accountability and in a socially responsible manner.

The Ministry conducts an environmental scan to identify those factors that may impact the gaming industry. One of these factors is Alberta's economy, which remains strong. Albertans have the highest personal disposable income per capita in Canada at $24,832 – more than 12 per cent higher than the Canadian average. From 1992 to 2002, Alberta's disposable income rose 42 per cent. Alberta's population also continues to increase. As of January 1, 2005, Statistics Canada reported over 3.2 million people living in Alberta, an increase of over 44,000 since January 2004.

The increasing number of Albertans and higher disposable income means more people are likely to participate in leisure activities, including gaming. In 2005, gross profit from gaming (gross proceeds from VLTs, slot machines, electronic bingo, Keno and ticket lotteries less prizes and leasing costs) increased to almost $1.8 billion, an increase of $178 million from 2004. All forms of electronic gaming experienced increases in 2005. Gross gaming profits were $82.5 million higher than budgeted, reflecting stronger than expected sales.

Commissions are the share of gaming proceeds paid to gaming operators for services as well as the share of slot machine proceeds provided to charities from licensed casino events. Federal payments include amounts paid to the federal government in lieu of GST on gaming products and other amounts. In 2005, these payments were $398 million, about $36 million higher than 2004, and $8 million higher than budgeted, corresponding to the higher sales levels.

Gaming related operating expenses were about $9 million higher than 2004, primarily due to higher amortization costs for gaming terminals. Actual expense was about $24 million lower than budgeted due to delays in the expansion of gaming facilities.

Net revenue from gaming operations was over $1.2 billion in 2005, compared to $1.1 billion in 2004. This funding is provided to the Alberta Lottery Fund as required by the *Gaming and Liquor Act* and is used to support thousands of volunteer, public and community-based initiatives throughout Alberta.

The expense for Core Business 2 of almost $2.3 million relates primarily to the cost of policy development and communication of gaming matters within the Department of Gaming. The costs of regulating, operating and managing, and social responsibility activities related to this Core Business are borne by the AGLC and are reflected in the $112.8 million cost of gaming operations. In total, the Ministry spent $115 million to achieve its goals within Core Business 2 in 2005.

Ensure the Alberta Lottery Fund benefits Alberta communities.

The Ministry's third core business focuses on the Alberta Lottery Fund and ensuring it benefits Alberta communities.

Goal 5

Lottery Funds are effectively managed and support volunteer, public and community-based initiatives.

All revenue from provincial gaming activities, net of AGLC operating costs, is directed to the Alberta Lottery Fund and identified for use by specific volunteer groups and in public and community-based initiatives. The Alberta Lottery Fund estimates are approved by the Legislature annually. Alberta Lottery Fund expenditures support programs, projects and foundations administered by various ministries, including the Department of Gaming. The Department of Gaming coordinates development of the Lottery Fund budget and administers designated lottery-funded programs. The AGLC is responsible for administration of the Alberta Lottery Fund, including collection of revenues and disbursement of revenues according to the *Appropriation Act*.

Key Activities

Key activities undertaken in relation to Goal 5 in 2004-2005 include:

Benefiting Albertans: The Alberta Lottery Fund

In 2004-2005, over $1.2 billion generated from the government's share of net revenues from VLTs, slot machines, electronic (DIGI) bingo, Keno, and ticket lotteries was placed in the Alberta Lottery Fund. These funds were distributed through 13 Ministries including five foundations and two key granting programs.

Examples of initiatives funded by the Alberta Lottery Fund include: community facilities, libraries, museums, sports and athletic events, agricultural societies, major exhibitions, arts and culture groups, wildlife and conservation projects, public athletic facilities, seniors' groups, recreation, tourism and historical resources, transportation projects, water management infrastructure, school renewal and construction, seniors' facility upgrades, health facility construction and centennial projects.

For specific examples of lottery-funded initiatives, see the Alberta Lottery Fund's website at **albertalotteryfund.ca** and select *Who Benefits (Searchable Database)*. A search can be sorted according to community, recipient name or agency (grant program or foundation).

"The Community Initiatives Program is an important and vital program which empowers non-profit organizations to develop services for the children in our community. Over 5,500 children are touched by Red Deer Symphony Orchestra programs through music and educational opportunities like Choir Kids."

Claudine Fleury, General Manager of the Red Deer Symphony Orchestra, received $37,941 from the Community Initiatives Program, June 21, 2004.

Ministry's Granting Programs

The Department of Gaming administers two key lottery-funded granting programs that benefit communities. These are the:

- Community Facility Enhancement Program (CFEP), and
- Community Initiatives Program (CIP).

Both programs operate on a matching-grant funding basis.

Three-Year Review of the Community Facility Enhancement Program (CFEP) – 2003 to 2005

CFEP is a lottery funded program, introduced in 1988, to support the expansion and upgrading of Alberta's extensive network of community-use facilities. Typically, CFEP provides matching grants, up to a maximum of $125,000 per project each year, to eligible registered community non-profit groups, municipalities, First Nations and Métis Settlements.

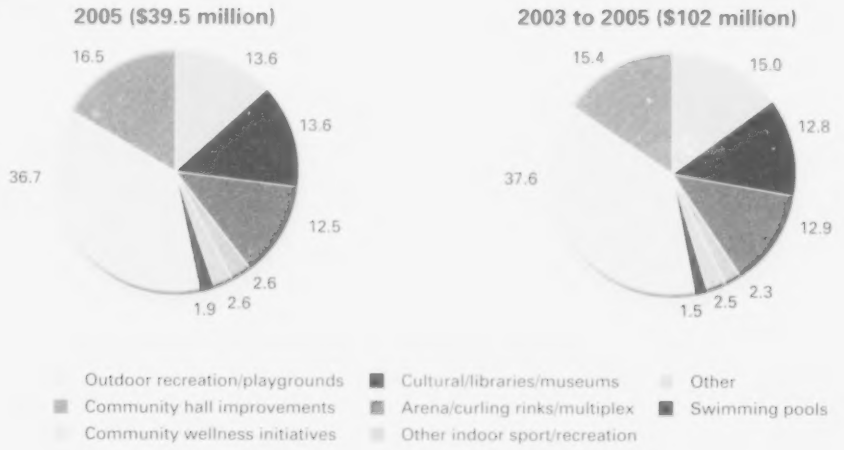
Since CFEP is a matching-grant program, the economic effect of CFEP grants expands beyond the actual grants provided for community projects. In effect, CFEP funding in 2004-2005 of $39.5 million means about $80 million was put into community-use facilities across the province. In some cases, community projects would be delayed or may not proceed at all without CFEP assistance. Thus, in many cases, CFEP grants provide an impetus for community projects. Many communities give in-kind service and products to projects funded through CFEP well beyond the matching requirement. These in-kind services and products include volunteer time, supplies, materials and labour.

In 2004-2005, as well as the past three years, over one-third of CFEP grants were provided for outdoor recreation and playground projects. Community hall improvements, community wellness initiatives, cultural facilities like museums and libraries and sports facilities are other popular uses of CFEP grants. The uses of CFEP grants by project type are:

"Our campaign theme is 'Straight from the Heart.' We thank you straight from our hearts for making this legacy investment in our community."

Francis Savoia, President and CEO, YMCA Edmonton, received $1 million from the Community Facility Enhancement Program August 30, 2004

% Total CFEP Grants



Since CFEP provides grants for community-use facilities, some think that only large projects are eligible for funding assistance. However, as shown in the table below, CFEP grants contribute to the success of both large and small projects. In fact, in 2004-2005 and from 2003 to 2005, a similar number of projects received less than $40,000 as received more than $40,000.

Number of Projects Funded by CFEP Grant Amount ($)

* Some projects received funding over two or three years. This may result in total funding to a project of more than the annual grant amount of $125,000 over a three-year period.

In 2005, CFEP provided 628 grants totalling $39.5 million to communities throughout Alberta in those areas identified in the previous table indicating percentage of total funding by project type.

For examples of CFEP funding, please access the searchable database on the Alberta Lottery Fund website at albertalotteryfund.ca.

Three Year Review of the Community Initiatives Program (CIP) – 2003 to 2005

"Your generous gift will make it possible for children who are reluctant readers to continue to experience the joy of reading. We are thankful literacy is important to the CIP, Alberta Lottery Fund, Alberta Advantage and the Minister of Gaming."

Laurie Marcy, PAL Project Coordinator, Grande Prairie Children's Literature Foundation. Received $10,000 from the Community Initiatives Program, June 28, 2004

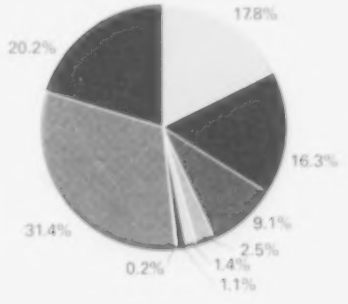
CIP was introduced in June 2002 to provide support for project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports, education, health and recreation. The maximum grant amount is $75,000 per project per year, and applications can be submitted anytime throughout the year.

There is a matching requirement for CIP funding. The matching requirement may be met in the various forms including the contribution of money, volunteer labour, services, or donated materials or equipment for the project. Those eligible for funding through the CIP include: community not-for-profit groups, social services sector and regional children's authorities, municipalities, First Nations and Métis Settlements.

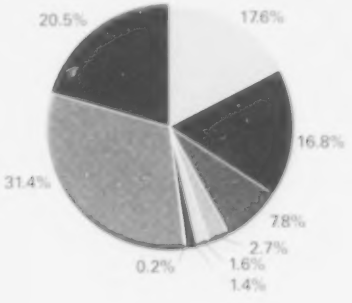
As a grant-matching program, CIP, like CFEP, benefits communities well beyond the annual $30 million grant funding provided.

In 2004-2005, as well as the past three years, about one-third of CFEP grants were provided for recreational initiatives. Social and community services, cultural, and education initiatives are other common uses of CIP grants. The uses of CIP grants by initiative type are:

2005 ($30 million)



2003 to 2005 ($90 million)



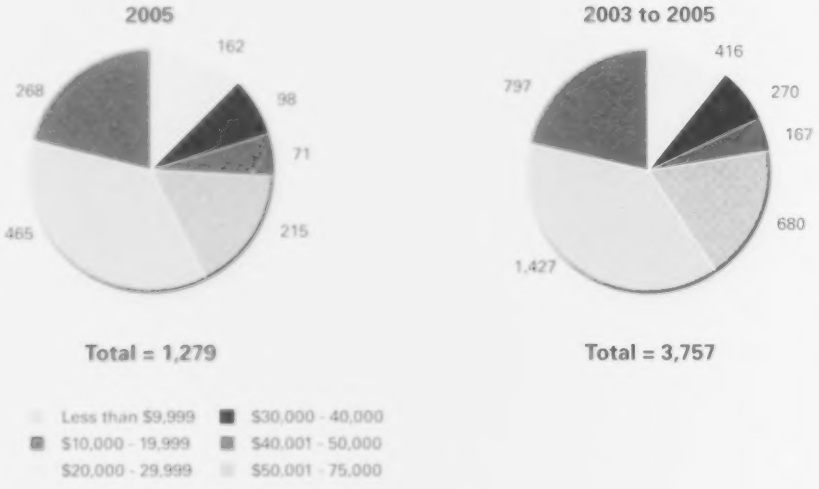
Recreational
Social services
Community services
Cultural
Education
Heritage
Environmental
Health
Other

CIP was designed to facilitate smaller community-focused initiatives. In 2004-2005 and over the three-year period from 2003 to 2005, almost 60 per cent of CIP grants have been for less than $20 thousand indicating that smaller initiatives are benefiting from this $30 million annual lottery-funded grant program.

"This financial support has and will continue to enable us to deliver superior alpine ski programs and events that provide fun, challenge and opportunities for personal excellence through participation and competition."

Maureen O'Hara-Leman, President, Alberta Alpine Ski – Received $20,000 from the Community Initiatives Program, June 30, 2004

CIP Grant Amount ($) and Number of Projects Funded



For examples of CIP funding, please access the searchable database on the Alberta Lottery Fund website at **albertalotteryfund.ca**

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Other Alberta Lottery Fund Grant Programs Administered by Gaming

The Department of Gaming administers a variety of other lottery-funded programs. These are:

Major Fairs and Exhibitions

In 2004-2005, $40 million in Alberta Lottery Fund grants was provided to seven major fairs and exhibitions in the province to assist with capital upgrading projects. These major fairs and exhibitions are located in Lethbridge, Camrose, Grande Prairie, Lloydminster, Medicine Hat, Olds and Red Deer. Major fairs and exhibitions provide opportunities for agricultural and trade exhibits in the various regions. In addition, annual funding of almost $15 million was provided to these organizations as well as Edmonton Northlands and the Calgary Exhibition and Stampede to assist with operating costs.

To assist Edmonton Northlands retain the Canadian Finals Rodeo, a major fall event in Edmonton, the Alberta Lottery Fund provided the first of ten annual grants of $250 thousand in 2004-2005. A similar amount was provided to the Calgary Exhibition and Stampede to promote Calgary's "Greatest Outdoor Show on Earth"

Flow-Through Funding Programs

A portion of proceeds from provincial gaming activities in specific venues operated by non-profit or charitable organizations are placed in the Alberta Lottery Fund and returned to the non-profit or charitable organizations. Such flow-through funding is used to support specific charitable, non-profit and community-based initiatives and projects. These include:

Did you know?

Approximately 7,300 Albertans are employed in the horse racing and breeding industry.

- **Racing Industry Renewal Initiative**
  The horse racing and breeding industry has a long and valued history in the province of Alberta. A viable horse racing and breeding industry benefits the entire agriculture industry, including ranchers, breeders and farmers. Through the Racing Industry Renewal Initiative, the industry receives a portion of the proceeds from the slot machines at racing entertainment centres (RECs) and the Stampede Casino in Calgary. These proceeds flow through the Alberta Lottery Fund and a percentage is returned to the racing and breeding industry for racetrack operations, capital development, purse enhancements and other purposes outlined in Horse Racing Alberta's three-year business plan. This includes a daycare support program and a computer literacy pilot program for eligible track personnel, scholarships for children of licensed horsemen and a grooms training program in coordination with Olds College. In 2004-2005, the amount returned to the horse racing and breeding industry from slot machines at RECs was $39.7 million. Slot machines at RECs also contribute to funding provided to volunteer groups and community-based initiatives through the Alberta Lottery Fund.

  A recent economic assessment study commissioned by Horse Racing Alberta indicates that the estimated contribution of the horse racing and breeding industry to the Alberta economy in 2004 was $355 million, a 118% increase in the annual economic contribution of the industry since 1999. The study also reports that over 50% of the economic benefits are related to the basic agricultural economy in Alberta and represent $178 million in direct, indirect and induced spending. The horse racing and breeding sector is responsible for over $431 million in physical assets dedicated to the industry with over 500 breeding and training operations involved in the development of race horses in Alberta. Additionally, the horse racing sector provided 2,732 full time equivalent jobs supporting over 7,800 Albertans in 2004.

- **Bingo Associations**
  In response to recommendations from the Gaming Licensing Policy Review of 2001, net proceeds from electronic bingo and Keno generated at bingo association events flow through the Alberta Lottery Fund to the charities holding the bingo events. This flow-through approach ensures legislative compliance and satisfies the commitment to the bingo industry. This initiative is part of a broader strategy aimed at allowing the bingo industry to continue to assist charities that raise funds through bingo for their community initiatives. In 2004-2005, the amount returned to charities was $2.7 million.

Each year over 2,500 Charitable groups depend on bingo events to fundraise for their worthy initiatives.

- **NHL Ticket Lottery**
  The NHL ticket lottery initiative, introduced during the 2002 hockey season, ended with the 2004 hockey season. The initiative allowed Albertans to support the Calgary Flames and Edmonton Oiler hockey clubs by purchasing NHL instant tickets. Two instant tickets were offered each year with the net proceeds flowing through the Alberta Lottery Fund to Alberta's NHL teams. During the innovative partnership, the AGLC provided expertise in lottery ticket design and use of the retail network for the distribution of lottery tickets; the two hockey clubs were responsible for all marketing and advertising costs for the NHL lottery tickets. This initiative provided over $5 million to the teams over its three-year period, including $300 thousand per team in 2004-2005.

- **First Nations Development Fund Grant Program**
  The First Nations Gaming Policy was developed during the Gaming Licensing Policy Review. It established a framework for First Nations casinos and set out the broad parameters for the First Nations Development Fund (FNDF). A working committee representing the First Nations and the Government of Alberta developed an agreement detailing the administration of the FNDF, which will make grants equivalent to 40 per cent of the net slot machine proceeds from all First Nations casinos available to all First Nations for social, community and economic development, including health, education and infrastructure projects. The First Nations and Government of Alberta have accepted the agreement and one agreement was signed in 2004-2005. Since there were no First Nations casinos operating in 2005, there was no funding available through the program during this fiscal year.

Other Initiatives

This lottery funding assists projects and programs that do not fall within the criteria or parameters of other government programs and for emergent items. Examples include:

- Ukranian Canadian Archives and Museum of Alberta: Provided with $1.5 million to renovate the historic Lodge Hotel in Edmonton to develop a new museum facility.
- Leduc/Devon Oilfield Historical Society: Provided with $1 million to increase the number and scope of energy exhibits in the Canadian Petroleum Interpretive Centre in Devon. The funds will also be used to increase the number of programs and educational staff at the facility.
- Young Men's Christian Association (YMCA) of Edmonton: Provided with $1 million to assist with the development of the new downtown Edmonton YMCA facility.
- Rotary Challenger Park in Calgary: Provided with $250,000 to assist with the development of the park.
- Town of Stettler Leisure Center: Provided with $280,000 to assist with the cost of developing the Stettler Leisure Centre.

In 2004-2005, on behalf of the Government of Alberta, a donation of $5 million was made to the Canadian Red Cross to assist with relief efforts associated with the Southeast Asia Tsunami.

Performance Measures – Goal 5

The Ministry is committed to ensuring that all Alberta Lottery Fund disbursements support volunteer groups, public and community-based initiatives. As such, the target for this key measure is no less than 100 per cent.

Key Measure

	2005		2004	
	Target	Result	Target	Result
Percentage of Alberta Lottery Fund disbursements committed to supporting volunteer groups, and public and community-based initiatives	100%	**100%**	100%	100%

During the annual business planning process, the Department of Gaming with other ministries identify projects that support volunteer groups, public and community-based initiatives. These initiatives are included in the Alberta Lottery Fund estimates that are approved by the Legislature.

Each Ministry receiving lottery fund allocations is responsible for ensuring that the funding is used appropriately and disclosed in their financial statements.

The 2005 results show that 100 per cent of Alberta Lottery Fund disbursements supported volunteer groups, public and community-based initiatives. Year after year, the result for this performance measure is consistently 100 per cent, demonstrating the Ministry's continuing commitment to using these grants to enhance the quality of life for Albertans.

The results for this measure were obtained from the Lottery Fund Summary of Payments, listed in the Alberta Lottery Fund Financial Statements section of this report.

Percentage of Alberta Lottery Fund disbursements committed to supporting volunteer groups, and public and community-based initiatives

The Ministry is also committed to keeping administration costs of its lottery funded programs to a minimum.

Key Measure

	2005		2004	
	Target	**Result**	Target	Result
Percentage of administration costs of lottery-funded programs administered by the Department of Gaming	Less than 2% of program disbursements	**0.77%**	Less than 2% of program disbursements	0.92%

In 2005, the Ministry was responsible for administering designated lottery-funded programs including the Community Facility Enhancement Program (CFEP), the Community Initiatives Program (CIP), major fairs and exhibitions and others.

This key measure supports the Ministry's focus on keeping the costs of administering these programs to a minimum, specifically less than two per cent of program disbursements. The performance measure is the ratio of the lottery program administration costs to the grants made through Lottery Funded Programs. Lottery program administration costs include such things as salaries, benefits, supplies and service costs.

The 2005 results show that administration costs were only 0.77 per cent, less than last year's result of 0.92 per cent. Program disbursements in 2005 were almost $191 million compared to $138 million in 2004. However, administrative costs increased by only $200 thousand, resulting in a decline in the percentage of administrative costs to program disbursements. 2005 program disbursements include one-time lump-sum grants of $40 million to major fairs and exhibitions and $5 million for Southeast Asia Tsunami Relief.

The data required to report on this measure was obtained from Schedule 4 of the Department of Gaming's Financial Statements, included in this report.

Percentage of administration costs of lottery-funded programs administered by the Department of Gaming

Goal 6

Albertans are aware of the initiatives supported by the Alberta Lottery Fund.

The Ministry informs Albertans about the Alberta Lottery Fund and its support of volunteer groups, and public and community-based initiatives.

Key Activities

Key activities undertaken in relation to Goal 6 during 2004-2005:

Informing Albertans about the Alberta Lottery Fund

Want to know what the Alberta Lottery Fund has supported in your community? Visit the searchable database at albertalotteryfund.ca for lottery-funded groups and initiatives.

Albertans have told us they want to know how gaming revenue is spent. The Ministry of Gaming is listening to Albertans and is always looking for effective ways to inform Albertans about the Alberta Lottery Fund.

In 2005, the Ministry continued its work to inform the public about the Alberta Lottery Fund using the theme "Benefiting Albertans."

A variety of events and tradeshows were attended around the province as a way to share information about the Alberta Lottery Fund. Albertans were able to learn about the Alberta Lottery Fund and ask questions at conferences such as the Vitalize Conference, and several major regional fairs and exhibitions. Throughout the year, the Alberta Lottery Fund display was taken to over 15 events and shows.

During the summer fair season, the Ministry presented an enhanced Alberta Lottery Fund display at the Calgary Exhibition and Stampede, the Edmonton Klondike Days Exhibition, Lethbridge Whoop-Up Days and the Olds Mountainview Country Fair. The Ministry was also involved in profiling several important projects that received funding from the Alberta Lottery Fund, including the River Valley Alliance trail extension and the new downtown YMCA in Edmonton. The Ministry will continue to highlight the Alberta Lottery Fund as these major projects and events arise so that Albertans are aware of how gaming proceeds are used to benefit Albertans.

Performance Measures – Goal 6

Key Measure

	2005		2004	
	Target	**Result**	Target	Result
Percentage of Albertans who are aware that the Alberta Lottery Fund supports volunteer groups, and public and community-based initiatives.	48%*	**62%**	46%*	72%**

* The 2005 and 2004 targets are not comparable to the current result due to a change in methodology. The 2005-08 Ministry of Gaming Business Plan states a target of 63% for 2005-06.

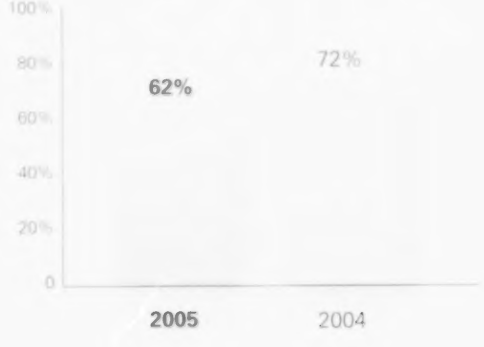
** Previous year's results were restated to reflect new methodology.

The Ministry is committed to ensuring that Albertans are aware of the Alberta Lottery Fund.

The majority of respondents, 62 per cent, were aware that the Alberta Lottery Fund supports volunteer groups, and public and community-based initiatives. This is a decrease from 2004, when 72 per cent were aware of what the Alberta Lottery Fund supports. The Ministry is concerned with this decrease in awareness and is investigating the reasons behind it. The Ministry will be continuing its emphasis on this performance measure in 2006.

The methodology used to calculate this performance measure was changed in 2005 to better measure progress toward the stated outcome. In the past, this measure was based on two components: participants were asked if they had ever heard, seen, or read anything about the Alberta Lottery Fund. If they responded positively, participants were asked whether or not they were aware that the Alberta Lottery Fund provides financial support to charitable organizations, non-profit organizations, public initiatives and community-based projects. In 2005, the measure was refined and the methodology was adjusted accordingly. The above results were obtained solely from the question asking participants if they were aware that the Alberta Lottery Fund supports volunteer groups, and public and community-based initiatives.

Awareness of the Alberta Lottery Fund and its support for volunteer groups, public and community-based initiatives

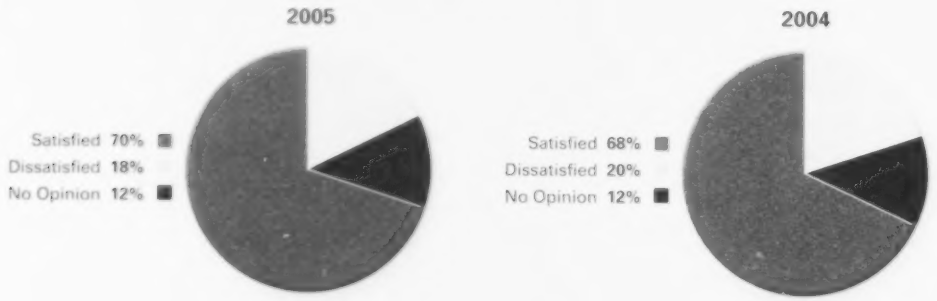


Key Measure

	2005		2004	
	Target	**Result**	Target	Result
Percentage of Albertans who are satisfied with how the Alberta Lottery Fund is used	73%	**70%**	Increase over 2003 baseline	68%

After receiving a description of the Alberta Lottery Fund and how it is used, seventy per cent of respondents were satisfied with how the Alberta Lottery Fund is used. This is an increase of two percentage points from last year's results. The Ministry will continue to solicit information from Albertans and stakeholders to ensure satisfaction with the use of lottery funds.

Satisfaction with how the Alberta Lottery Fund is used



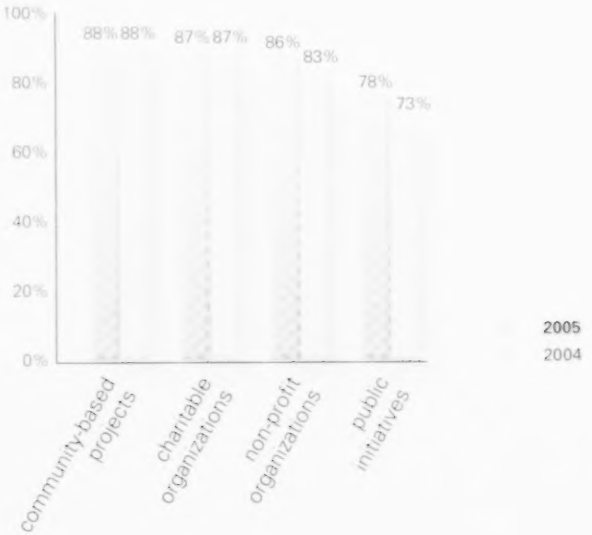
Supplemental Information:

When asked what charitable, non-profit, public and community-based initiatives should be supported through the Alberta Lottery Fund, respondents indicated the following:

	2005 Result	2004 Result
Community-based projects	**88%**	88%
Charitable organizations	**87%**	87%
Non-profit organizations	**86%**	83%
Public initiatives	**78%**	73%

In 2005, more Albertans favoured the use of the Alberta Lottery Fund to support non-profit organizations and public initiatives than in 2004. This increase will be monitored carefully to determine if this is a long-term trend.

Perception of what the Alberta Lottery Fund should support



Financial Results for Core Business 3

Financial Results (millions of dollars)	Budget	2005 Actual	2004 Actual
Lottery Funded Programs	$ 160.8	$ 192.6	$ 139.6
Lottery Fund Payments to other Ministries	1,007.1	1,074.4	992.2
Expense by Core Business	1,168.5	1,267.3	1,132.2

Core Business 3 ensures the Alberta Lottery Fund benefits Alberta communities. The Alberta Lottery Fund provides funds to support a variety of initiatives around the provinces through thirteen Ministries. Without the Alberta Lottery Fund, many worthwhile projects and initiatives would not proceed when or at the scale required by the communities. Being able to support these important projects through gaming revenue enhances the quality of life for all Albertans.

Lottery Funded Programs include the grant funding programs administered by the Department of Gaming and the related administrative costs. In 2005, Lottery Funded Programs spent almost $193 million; about $32 million more than budgeted. This additional spending is made up of one-time lump-sum grants of $40 million for major fairs and exhibitions approved by Supplementary Estimate and a $5 million donation to the Canadian Red Cross for Southeast Asia Tsumani Relief partially offset by lower than budgeted spending in the flow through programs because the related revenue streams were less than budgeted. 2005 spending is also about $53 million higher than 2004 spending. This is attributed primarily to increases in some of the flow through programs due to higher 2005 revenues in the related streams as well as the additional one-time spending of $45 million.

In addition to Gaming's grant programs, the Alberta Lottery Fund revenues are allocated to programs in twelve other Ministries. Lottery fund payments to these other ministries were over $1 billion in 2005. This is about $70 million higher than budgeted because of the higher than budgeted revenues in the Alberta Lottery Fund and about $80 million higher than 2004 again because of higher revenues in the Alberta Lottery Fund. Details of how the lottery-funding was used by these other Ministries are available in their annual reports.

The expense for Core Business 3 includes Gaming's Lottery Funded Programs and Lottery Fund Payments to other Ministries as well as costs of associated policy development and communications activities. The actual 2005 expense reflects higher than budgeted Lottery Fund revenues and higher than 2004 revenues.

Financial Statements

Auditor's Report

AUDITOR GENERAL
Alberta

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Gaming as at March 31, 2005 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn
FCA
Auditor General

Edmonton, Alberta
May 20, 2005

Consolidated Statement of Operations

Year ended March 31, 2005 (thousands of dollars)	Budget (Note 5 and Schedule 3)	2005 Actual	2004 Actual
Revenues (Schedule 1)			
Net income from Alberta Gaming and Liquor Commission			
Lottery revenue	$ 1,161,831	$ 1,259,692	$ 1,125,194
Liquor revenue	550,778	566,691	556,608
Investment income	6,000	6,485	6,917
Other revenue	-	2,980	236
	1,718,609	1,835,848	1,688,955
Expenses – Directly Incurred (Note 2c and Schedule 5)			
Voted (Schedule 2)			
Ministry support services	2,263	1,561	1,664
Gaming research	1,600	1,551	1,548
Lottery funded programs	160,849	192,552	139,557
Lottery Fund payments to other Ministries	1,007,083	1,074,390	992,185
	1,171,795	1,270,054	1,134,954
Statutory			
Valuation adjustments			
Provision for vacation pay and overtime	-	2	4
Total expenses	1,171,795	1,270,056	1,134,958
Net operating results	$ 546,814	$ 565,792	$ 553,997

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position

March 31, 2005 (thousands of dollars)		2005		2004
Assets				
Cash (Note 3)	$	110,142	$	80,574
Accounts receivable and accrued interest		268		106
Equity in Alberta Gaming and Liquor Commission (Note 4)		212,557		188,676
	$	322,967	$	269,356
Liabilities				
Accounts payable and accrued liabilities	$	146,953	$	77,192
Net assets				
Net assets, beginning of year		192,164		190,139
Net operating results		565,792		553,997
Net transfer to General Revenues		(581,942)		(551,972)
Net assets, end of year		176,014		192,164
	$	322,967	$	269,356

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2005 (thousands of dollars)		2005		2004
Operating transactions				
Net operating results	$	565,792	$	553,997
Non-cash items included in net operating results:				
Valuation adjustments		2		4
Undistributed profit of Alberta Gaming and Liquor Commission		(23,881)		(4,393)
		541,913		549,608
(Increase) Decrease in accounts receivable and accrued interest		(162)		194
Increase (Decrease) in accounts payable and accrued liabilities before valuation adjustments		69,759		(3,777)
Cash provided by operating transactions		611,510		546,025
Financing transactions				
Net transfer to General Revenues		(581,942)		(551,972)
Increase (Decrease) in cash		29,568		(5,947)
Cash, beginning of year		80,574		86,521
Cash, end of year	$	110,142	$	80,574

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

March 31, 2005

NOTE 1 Authority and Purpose

The Minister of Gaming (Minister) has, by the *Government Organization Act* and its regulations, been designated responsible for various Acts. To fulfill these responsibilities, the Minister is responsible for the organizations listed in Note 2(A). The authority under which each organization operates is also listed in Note 2(A). Together these organizations form the Ministry of Gaming (Ministry).

The purpose of the Ministry is to administer the Alberta Lottery Fund; to license, regulate and monitor liquor and gaming activities, as well as certain aspects of tobacco sales; to develop and communicate provincial gaming and liquor policy; and to administer certain lottery-funded programs.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all ministries.

(A) REPORTING ENTITY

The reporting entity is the Ministry of Gaming. The *Government Accountability Act* defines a Ministry as including the Department and any Provincial agency and Crown-controlled organization for which the Minister is responsible. These consolidated financial statements include the accounts of the Department of Gaming (*Government Organization Act*), the Lottery Fund (*Gaming and Liquor Act*), and the Alberta Gaming and Liquor Commission (*Gaming and Liquor Act*).

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

(B) BASIS OF CONSOLIDATION

The accounts of the Department and the Lottery Fund have been consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between the consolidated organizations are eliminated upon consolidation.

The accounts of the Alberta Gaming and Liquor Commission, which is designated as a commercial enterprise, are reported on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles.

Notes to the Consolidated Financial Statements
March 31, 2005

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(C) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, represent the change in management's estimate of future payments arising from obligations relating to vacation pay and overtime.

Grants provided through the Lottery Funded Programs are recognized as an expense when the eligibility criteria for the grant program have been met and the application has been approved by the Minister or his designate.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 5.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by the Ministry at fiscal year end.

Net assets

Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Notes to the Consolidated Financial Statements

March 31, 2005

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(C) BASIS OF FINANCIAL REPORTING (continued)

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable and accrued interest, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by the CCITF have an average effective market yield of 2.79% per annum (March 31, 2004: 2.11% per annum).

NOTE 4 Equity in Alberta Gaming and Liquor Commission (AGLC)

(thousands of dollars)	2005	2004
Equity in AGLC, beginning of year	**$ 188,676**	$ 184,283
Total revenues	**21,979,168**	19,829,486
Total expenses	**(20,152,785)**	(18,147,684)
Net transfer and other adjustments	**(1,802,502)**	(1,677,409)
Equity in AGLC, end of year	**$ 212,557**	$ 188,676

NOTE 5 Budget

The budget amounts, shown on the Statement of Operations, agree with the 2004-05 amounts for the Ministry of Gaming included in the Government and Lottery Fund Estimates that were approved under the *Appropriation Act* on May 19, 2004.

Notes to the Consolidated Financial Statements

March 31, 2005

NOTE 6 Commitments

As at March 31, 2005, the Ministry has commitments for leased properties ranging from one to 27 years. Most of these properties have been subleased to third parties. The Ministry remains liable for the leases should the sublessors default on their obligations to the Ministry. The Ministry also has commitments for grants to various organizations ranging from one to nine years. The estimated payment requirements for each of the next five years and thereafter are:

(thousands of dollars)	
2005-2006	$ 28,620
2006-2007	25,873
2007-2008	24,690
2008-2009	23,853
2009-2010	23,379
Thereafter	6,142
	$ 132,557

Estimated future revenues to be derived from subleases amount to $5.8 million at March 31, 2005. Provision for loss has been made where the payments to be received on the subleases are less than the lease payments to be made.

NOTE 7 Contingent Liabilities

At March 31, 2005, the Ministry is a defendant in 11 legal claims (2004 - twelve legal claims). Nine of these claims have a specified amount totaling $140 million and the remaining two have not specified any amount (2004 – nine claims with a specified amount of $144 million and three with no specified amount). Included in this total are four claims amounting to $103 million, in which the Ministry has been jointly named with others. Two claims with no specified amount are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

Notes to the Consolidated Financial Statements

March 31, 2005

NOTE 8 Defined Benefit Plans

(thousands of dollars)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,232 for the year ended March 31, 2005 (2004 $1,892). In addition, the Ministry contributes to the Western Canada Lottery Corporation (WCLC) Pension Plan. The Ministry's portion of the WCLC pension expense is $215 for the year ended March 31, 2005 (2004 - $228).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – deficiency $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – deficiency $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,404 (2003 – surplus $9,312). The Ministry's portion of the WCLC deficiency as at March 31, 2005 is $26 (2004 – deficiency $16).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005 the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – deficiency $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – surplus $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 9 Approval of Financial Statements

These consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister of Gaming.

Revenues

Schedule 1

Year ended March 31, 2005 (thousands of dollars)	Budget (Note 5)	2005 Actual	2004 Actual
Net income from commercial operations			
Lottery			
Video lottery terminal revenue	$ 598,620	$ 635,064	$ 577,252
Gaming terminal revenue	509,487	554,207	481,963
Ticket lottery revenue	190,167	183,178	171,610
	1,298,274	1,372,449	1,230,825
Cost of operations	(136,443)	(112,757)	(105,631)
	1,161,831	1,259,692	1,125,194
Liquor			
Liquor and related revenue	570,202	583,044	571,732
Cost of operations	(19,424)	(16,353)	(15,124)
	550,778	566,691	556,608
	1,712,609	1,826,383	1,681,802
Investment income			
Lottery fund interest revenue	6,000	6,485	6,917
Other revenue			
Refunds of grants and other expenses	-	2,980	236
Total revenues	$ 1,718,609	$ 1,835,848	$ 1,688,955

Expenses - Directly Incurred - Detailed by Object

Schedule 2

Year ended March 31, 2005 (thousands of dollars)	Budget	2005 Actual	2004 Actual
Voted expenses			
Salaries, wages and employee benefits	$ 2,798	$ 2,360	$ 2,250
Supplies and services	2,705	2,600	2,177
Grants	1,166,232	1,265,039	1,130,473
Financial transactions and other	60	55	54
Total voted expenses	1,171,795	1,270,054	1,134,954
Statutory			
Valuation adjustments			
Provision for vacation pay and overtime	-	2	4
	$ 1,171,795	$ 1,270,056	$ 1,134,958

Budget

Schedule 3

Year ended March 31, 2005 (thousands of dollars)	Budget	Authorized Supplementary [1]	Authorized Budget
Revenues			
Net Income from Alberta Gaming and Liquor Commission			
Video lottery terminal revenue	$ 598,620	$ -	$ 598,620
Gaming terminal revenue	509,487	-	509,487
Ticket lottery revenue	190,167	-	190,167
Lottery operations	(136,443)		(136,443)
Liquor and related revenue	570,202	-	570,202
Liquor operations	(19,424)		(19,424)
Investment Income			
Lottery Fund interest revenue	6,000	-	6,000
	1,718,609	-	1,718,609
Expenses			
Voted expenses			
Ministry support services	2,263	-	2,263
Gaming research	1,600	-	1,600
Lottery funded programs	160,849	40,000	200,849
Lottery Fund payments to other Ministries	1,007,083	-	1,007,083
	1,171,795	40,000	1,211,795
Net operating results	$ 546,814	$ (40,000)	$ 506,814

[1] Supplementary Estimates were approved on March 24, 2005.

ALBERTA LOTTERY FUND

Related Party Transactions

Schedule 4

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Ministry had the following transactions with related parties recorded in the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Other Entities	
Year ended March 31, 2005 (thousands of dollars)	**2005**	2004
Expenses – Directly Incurred		
Grants	**$ 1,074,390**	$ 992,185
Other services	**88**	96
	$ 1,074,478	$ 992,281
Payable to Alberta Finance	**$ 66,672**	$ 51,275

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 5.

	Other Entities	
	2005	2004
Expenses – Incurred by others		
Legal	**$ 18**	$ 31

Allocated Costs

Schedule 5

Year ended March 31, 2005 (thousands of dollars)	2005				2004
		Expenses – Incurred by Others			
Program	**Expenses[1]**	**Legal Services[2]**	**Valuation Adjustments[3]**	**Total Expenses**	Total Expenses
Ministry support services	$ 1,561	$ 18	$ -	$ 1,579	$ 1,698
Gaming research	1,551	-	-	1,551	1,548
Lottery funded programs	192,552	-	2	192,554	139,558
Lottery Fund payments to other Ministries	1,074,390	-	-	1,074,390	992,185
	$ 1,270,054	$ 18	$ 2	$ 1,270,074	$ 1,134,989

(1) Expenses – Directly Incurred as per Consolidated Statement of Operations before valuation adjustments.
(2) Costs shown for Legal Services, per Schedule 4, are allocated to each program by estimated costs incurred.
(3) Vacation Adjustments, per Statement of Operations, are allocated to each program by employee.

Auditor's Report

AUDITOR GENERAL Alberta

To the Minister of Gaming

I have audited the statement of financial position of the Department of Gaming as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn
FCA
Auditor General

Edmonton, Alberta
May 20, 2005

Statement of Operations

Year ended March 31, 2005 (thousands of dollars)	Budget (Note 4 and Schedule 3)	2005 Actual	2004 Actual
Revenues (Schedule 1)			
Internal government transfers	$ 711,526	$ 759,522	$ 696,539
Other revenue	-	1,936	231
	711,526	761,458	696,770
Expenses - Directly Incurred (Note 2b and Schedule 7)			
Voted (Schedules 2 and 4)			
Ministry support services	2,263	1,561	1,664
Gaming research	1,600	1,551	1,548
Lottery funded programs	160,849	192,552	139,557
	164,712	195,664	142,769
Statutory (Schedules 2 and 4)			
Valuation adjustments			
Provision for vacation pay and overtime	-	2	4
Total expenses	164,712	195,666	142,773
Net operating results	$ 546,814	$ 565,792	$ 553,997

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

March 31, 2005 (thousands of dollars)	2005	2004
Assets		
Accounts receivable (Note 3)	$ 203,732	$ 166,770
Liabilities		
Accounts payable and accrued liabilities	$ 80,493	$ 27,381
Net assets		
Net assets, beginning of year	139,389	137,364
Net operating results	565,792	553,997
Net transfer to General Revenues	(581,942)	(551,972)
Net assets, end of year	123,239	139,389
	$ 203,732	$ 166,770

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2005 (thousands of dollars)	2005	2004
Operating transactions		
Net operating results	**$ 565,792**	$ 553,997
Non-cash items included in Net operating results:		
Valuation adjustments	**2**	4
	565,794	554,001
Increase in accounts receivables	**(36,962)**	(20,724)
Increase in accounts payable and accrued liabilities before valuation adjustments	**53,110**	18,639
Cash provided by operating transactions	**581,942**	551,916
Financing transactions		
Net transfer to General Revenues	**(581,942)**	(551,972)
Decrease in cash	**-**	(56)
Cash, beginning of year	**-**	56
Cash, end of year	**$ -**	$ -

The accompanying notes and schedules are part of these financial statements.

ALBERTA LOTTERY FUND

Notes to the Financial Statements

March 31, 2005

NOTE 1 Authority and Purpose

The Department of Gaming (Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The purpose of the Department is to develop and communicate provincial gaming and liquor policy and to administer certain lottery-funded programs.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(A) REPORTING ENTITY

The reporting entity is the Department of Gaming, which is part of the Ministry of Gaming (Ministry) and for which the Minister of Gaming (Minister) is accountable. The Minister is also responsible for the Alberta Gaming and Liquor Commission and the Lottery Fund, but their activities are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

(B) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting.

Internal government transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Notes to the Financial Statements

March 31, 2005

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(B) BASIS OF FINANCIAL REPORTING (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses include:

- pension costs which comprise the cost of employer contributions for current service of employees during the year; and
- valuation adjustments which represent the change in management's estimate of future payments arising from obligations relating to vacation pay and overtime.

Grants provided through the Lottery Funded Programs are recognized as an expense when the eligibility criteria for the grant program have been met and the application has been approved by the Minister or his designate.

Incurred by Others

Services contributed by other entities in support of the Department operations are disclosed in Schedule 7.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by the Department at fiscal year end.

Net assets

Net assets represent the difference between the carrying value of assets held by the Department and its liabilities.

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

Notes to the Financial Statements
March 31, 2005

NOTE 3 Accounts Receivable

Amounts are due from the Alberta Gaming and Liquor Commission and the Lottery Fund are unsecured and non-interest bearing. The full amount of the receivable is considered collectible.

NOTE 4 Budget

The budget amounts, shown on the Statement of Operations, agree with the 2004-05 amounts for the Department of Gaming included in the Government and Lottery Fund Estimates that were approved under the *Appropriation Act* on May 19, 2004.

NOTE 5 Commitments

As of March 31, 2005, the Department has commitments for grants to various organizations ranging from one to nine years. The estimated payment requirements for each of the next five years and thereafter are:

(thousands of dollars)	
2005 – 2006	$ 26,664
2006 – 2007	24,335
2007 – 2008	23,335
2008 – 2009	22,935
2009 – 2010	22,460
Thereafter	2,000
	$ 121,729

NOTE 6 Contingent Liabilities

As at March 31, 2005, the Department is a defendant in two legal claims (2004 – three legal claims). These claims have specified amounts totaling $121 million (2004 – $125 million). In all of these claims, the Department has been jointly named with others. The resulting loss, if any, from these claims cannot be determined.

Notes to the Financial Statements

March 31, 2005

NOTE 7 Defined Benefit Plans

(thousands of dollars)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $215 for the year ended March 31, 2005 (2004 - $182).

At December 31, 2004 the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – deficiency $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – deficiency $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of $9,404 (2003 – surplus $9,312).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005 the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – deficiency $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – surplus $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 8 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Revenues

Schedule 1

Year ended March 31, 2005 (thousands of dollars)	Budget	2005 Actual	2004 Actual
Internal government transfers			
Transfer from Alberta Gaming and Liquor Commission	$ 550,778	$ 566,691	$ 556,608
Transfer from Lottery Fund	160,748	192,831	139,931
	711,526	759,522	696,539
Other revenue			
Refunds of expenses	-	1,936	231
Total revenues	$ 711,526	$ 761,458	$ 696,770

Expenses - Directly Incurred - Detailed by Object

Schedule 2

Year ended March 31, 2005 (thousands of dollars)	Budget	2005 Actual	2004 Actual
Voted expenses			
Salaries, wages and employee benefits	$ 2,798	$ 2,360	$ 2,250
Supplies and services	2,705	2,600	2,177
Grants	159,149	190,649	138,288
Financial transactions and other	60	55	54
Total voted expenses	164,712	195,664	142,769
Statutory			
Valuation adjustments			
Provision for vacation pay and overtime	-	2	4
	$ 164,712	$ 195,666	$ 142,773

Budget

Schedule 3

Year ended March 31, 2005 (thousands of dollars)	Budget (Note 4)	2004-2005 Authorized Supplementary [1]	Authorized Budget
Revenues			
Internal Government Transfers			
Contributions from the Lottery Fund	$ 160,748	$ 40,000	$ 200,748
Transfer from Alberta Gaming and Liquor Commission	550,778	-	550,778
	711,526	40,000	751,526
Expenses			
Voted expenses			
Ministry support services	2,263	-	2,263
Gaming research	1,600	-	1,600
Lottery funded programs	160,849	40,000	200,849
	164,712	40,000	204,712
Net operating results	$ 546,814	$ -	$ 546,814

[1] Supplementary Estimates were approved on March 24, 2005.

ALBERTA LOTTERY FUND

Comparison of Expenses - Directly Incurred and Statutory Expenses by Element to Authorized Budget

Schedule 4

Year ended March 31, 2005 (thousands of dollars)	Budget	Authorized Supplementary[1]	Authorized Budget	Actual Expense[2]	Unexpended (Over Expended)
Voted Expenses					
1 Ministry Support Services					
1.0.1 Minister's Office	$ 344	$ -	$ 344	$ 343	$ 1
1.0.2 Deputy Minister's Office	343	-	343	288	55
1.0.3 Strategic Services	1,326	-	1,326	725	601
1.0.4 Communications	250	-	250	205	45
	2,263	-	2,263	1,561	702
2 Gaming Research					
2.0.1 Alberta Gaming Research Institute					
- operating expense funded by lotteries	1,500	-	1,500	1,500	-
2.0.2 Alberta Gaming Research Council					
- operating expense funded by lotteries	100	-	100	51	49
	1,600	-	1,600	1,551	49
3 Lottery Funded Programs					
3.0.1 Lottery Programs Administration	1,701	-	1,701	1,477	224
3.0.2 Community Facility Enhancement Program					
- operating expense funded by lotteries	38,500	-	38,500	39,482	(982)
3.0.3 Community Initiatives Program					
- operating expense funded by lotteries	30,000	-	30,000	30,000	-
3.0.4 Edmonton Northlands					
- operating expense funded by lotteries	7,100	-	7,100	7,100	
3.0.5 Calgary Exhibition and Stampede					
- operating expense funded by lotteries	7,100	-	7,100	7,100	-
3.0.6 Major Exhibitions and Fairs					
- operating expense funded by lotteries	2,660	40,000	42,660	42,660	
3.0.7 Racing Industry Renewal					
- operating expense funded by lotteries	45,000	-	45,000	39,693	5,307
3.0.8 Edmonton Oilers Ticket Lottery					
- operating expense funded by lotteries	1,350	-	1,350	300	1,050
3.0.9 Calgary Flames Ticket Lottery					
- operating expense funded by lotteries	1,350	-	1,350	300	1,050
3.0.10 Bingo Associations					
- operating expense funded by lotteries	7,000	-	7,000	2,740	4,260
3.0.11 First Nations Development Fund					
- operating expense funded by lotteries	4,000	-	4,000	-	4,000
3.0.12 Other Initiatives					
- operating expense funded by lotteries	15,088	-	15,088	16,700	(1,612)
3.0.13 Southeast Asia Tsunami Relief					
- operating expense funded by lotteries	-	-	-	5,000	(5,000)
	160,849	40,000	200,849	192,552	8,297
	$ 164,712	$ 40,000	$ 204,712	$ 195,664	$ 9,048
Operating expense	$ 3,964	$ -	$ 3,964	$ 3,038	$ 926
Operating expense funded by lotteries	160,748	40,000	200,748	192,626	8,122
	$ 164,712	$ 40,000	$ 204,712	$ 195,664	$ 9,048
Statutory Expenses					
Valuation adjustments	$ -	$ -	$ -	$ 2	$ (2)

[1] Supplementary Estimates were approved on March 24, 2005.
[2] Includes achievement bonus amounting to $120.

Salary and Benefits Disclosure

Schedule 5

Year ended March 31, 2005	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	2005 Total	2004 Total
Senior Official					
Deputy Minister[4]	$ 157,392	$ 51,467	$ 9,923	$ 218,782	$ 211,725
Executives					
Assistant Deputy Minister	116,460	17,119	24,281	157,860	155,707
Director – Strategic Services	86,244	9,539	17,522	113,305	109,738
Director – Lottery Funded Programs	83,880	4,586	17,448	105,914	109,132

Prepared in accordance with Treasury Board Directive 03/2004.

(1) Base salary includes pensionable base pay.
(2) Other cash benefits include bonuses, vacation payments, payments in place of pension participation, and lump sum payments.
(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships, and tuition fees.
(4) The incumbent's services are shared with the Alberta Gaming and Liquor Commission which contributes its own share of the cost of salary and benefits. Full salary and benefits are disclosed on this schedule and the Alberta Gaming and Liquor Commission reflects its contribution to the cost in its financial statements. Automobile provided, no dollar amount included in other non-cash benefits figures.

Related Party Transactions

Schedule 6

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between related parties:

	Entities in the Ministry		Other Entities	
Year ended March 31, 2005 (thousands of dollars)	**2005**	2004	**2005**	2004
Revenues				
Internal government transfers	**$ 759,522**	$ 696,539	**$ -**	$ -
Expenses – Directly Incurred				
Other services	**$ -**	$ -	**$ 88**	$ 96
Receivable from	**$ 203,732**	$ 166,770	**$ -**	$ -
Payable to	**$ -**	$ 4,133	**$ -**	$ -

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		Other Entities	
Year ended March 31, 2005 (thousands of dollars)	**2005**	2004	**2005**	2004
Expenses – Incurred by Others				
Accommodation	**$ 108**	$ 101	**$ -**	$ -
Legal	**-**	-	**18**	31
	$ 108	$ 101	**$ 18**	$ 31

Allocated Costs

Schedule 7

Year ended March 31, 2005 (thousands of dollars)

		Expenses – Incurred by Others			2005	2004
Program	Expenses[1]	Accommodation[2]	Legal Services[3]	Valuation Adjustments[4]	Total Expenses	Total Expenses
Ministry support services	$ 1,561	$ 39	$ 18	$ -	$ 1,618	$ 1,737
Gaming research	1,551	-	-	-	1,551	1,548
Lottery funded programs	192,552	69	-	2	192,623	139,620
	$ 195,664	$ 108	$ 18	$ 2	$ 195,792	$ 142,905

[1] Expenses – Directly Incurred as per Statement of Operations excluding valuation adjustments.
[2] Costs shown for Accommodation, per Schedule 6, are allocated to each program by square footage.
[3] Costs shown for Legal Services, per Schedule 6, are allocated to each program by estimated costs incurred.
[4] Vacation Adjustments, per Statement of Operations, are allocated to each program by employee.

Auditor's Report

AUDITOR GENERAL
Alberta

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn
FCA
Auditor General

Edmonton, Alberta
May 13, 2005

Balance Sheet

As at March 31 (thousands of dollars)	2005	2004
ASSETS		
Current Assets		
Cash (Note 3)	$ 101,576	$ 88,350
Accounts receivable	23,505	13,289
Prepaid expenses and inventories (Note 4)	7,953	11,600
	133,034	113,239
Property, Plant and Equipment (Note 5)	165,770	170,398
	$ 298,804	$ 283,637
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 82,232	$ 90,476
Due to the Alberta Lottery Fund (Note 7)	40,512	29,323
	122,744	119,799
Due to General Revenues (Note 8)	172,045	159,354
Provision for Loss on Leased Properties (Note 13)	4,015	4,484
	$ 298,804	$ 283,637

The accompanying notes are part of these financial statements.

Approved on Behalf of:

BOARD

Julian J. Nowicki
Chairman of the Board

MANAGEMENT

Norman C. Peterson, CA
Chief Executive Officer

Statement of Operations

For the year ended March 31 (thousands of dollars)	Budget (Note 9)	Provincial Lotteries	Liquor and Other	2005 Actual Total	2004 Actual
REVENUE					
Gaming terminals	$	**$ 10,351,241**	**$ -**	**$ 10,351,241**	$ 9,251,816
Video lottery terminals		**9,588,386**	**-**	**9,588,386**	8,617,950
Liquor		**-**	**1,550,201**	**1,550,201**	1,490,367
Ticket lottery		**454,549**	**-**	**454,549**	442,068
Electronic bingo		**21,862**	**-**	**21,862**	14,416
		20,416,038	**1,550,201**	**21,966,239**	19,816,617
PRIZES AND COST OF PRODUCT					
Gaming terminals		**9,570,545**	**-**	**9,570,545**	8,568,860
Video lottery terminals		**8,829,161**	**-**	**8,829,161**	7,924,320
Liquor		**-**	**980,086**	**980,086**	931,504
Ticket lottery		**230,965**	**-**	**230,965**	230,379
Electronic bingo		**14,678**	**-**	**14,678**	9,828
		18,645,349	**980,086**	**19,625,435**	17,664,891
Gross Profit	2,247,944	**1,770,689**	**570,115**	**2,340,804**	2,151,726
Commissions and Federal Payments (Note 10)	(389,974)	**(398,240)**	**-**	**(398,240)**	(362,038)
Other Income (Note 11)	10,506	**-**	**12,929**	**12,929**	12,869
Operating Expenses (Note 12)	(155,867)	**(112,757)**	**(16,353)**	**(129,110)**	(120,755)
Net Operating Results	$ 1,712,609	**$ 1,259,692**	**$ 566,691**	**$ 1,826,383**	$ 1,681,802

Statement of Cash Flows

For the year ended March 31 (thousands of dollars)	2005	2004
CASH FROM OPERATIONS		
Net operating results for the year	$ 1,826,383	$ 1,681,802
Decrease in provision for loss on leased properties	(469)	(383)
Amortization	35,591	32,392
Loss on disposal of property, plant and equipment	27	50
Net change in non-cash working capital balances	(14,813)	40,185
	1,846,719	1,754,046
REMITTANCES TO THE ALBERTA LOTTERY FUND	(1,248,503)	(1,134,408)
REMITTANCES TO GENERAL REVENUES	(554,000)	(543,000)
	44,216	76,638
CASH USED FOR INVESTMENT		
Purchase of property, plant and equipment	(31,050)	(107,732)
Proceeds on disposal of property, plant and equipment	60	25
	(30,990)	(107,707)
INCREASE (DECREASE) IN CASH	13,226	(31,069)
CASH, beginning of year	88,350	119,419
CASH, end of year	$ 101,576	$ 88,350

Notes to the Financial Statements

March 31, 2005

NOTE 1 Authority and Purpose

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized video lottery, gaming terminal operations, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta, has a tax-exempt status for its liquor and regulatory operations.

NOTE 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

Notes to the Financial Statements

March 31, 2005

NOTE 2 Significant Accounting Policies and Reporting Practices (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	10% or 33 1/3%
Video lottery and gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Property, plant and equipment are not amortized until the assets are put into use.

Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Revenue and Expense Recognition

Revenue from video lottery terminals, gaming terminals and electronic bingo is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to video lottery terminals, gaming terminals, and electronic bingo are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold related to liquor is recognized on the same basis as the related revenues.

Allocation of Operating Expenses

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

Notes to the Financial Statements

March 31, 2005

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by the Fund have an average effective market yield of 2.79% per annum (March 31, 2004: 2.11% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 Prepaid Expenses and Inventories

(thousands of dollars)	2005	2004
Prepaid expenses	$ 2,064	$ 6,531
Gaming parts	5,130	4,532
Supplies	759	537
	$ 7,953	$ 11,600

NOTE 5 Property, Plant and Equipment

(thousands of dollars)			2005	2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 4,113	$ -	$ 4,113	$ 4,113
Buildings and leasehold improvements	52,122	40,333	11,789	11,668
Gaming systems and equipment	49,472	38,549	10,923	12,737
Gaming terminals	117,711	57,713	59,998	51,134
Video lottery terminals	81,187	17,842	63,345	78,058
Furniture and equipment	33,154	27,325	5,829	7,593
Retailer fixtures and signage	8,768	7,769	999	809
Computer software	20,336	12,357	7,979	3,197
Vehicles	2,800	2,005	795	1,089
	$ 369,663	$ 203,893	$ 165,770	$ 170,398

Notes to the Financial Statements

March 31, 2005

NOTE 6 Defined Benefit Plans

(thousands of dollars)

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,017 for the year ended March 31, 2005 (2004 - $1,710). The Commission's portion of the Western Canada Lottery Corporation pension expense is $215 for the year ended March 31, 2005 (2004 - $228).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 - deficiency of $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 - deficiency of $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of $9,404 (2003 – $9,312). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2005 is $26 (2004 - $16).

NOTE 7 Due to the Alberta Lottery Fund

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

(thousands of dollars)	2005	2004
Due to the Alberta Lottery Fund, beginning of year	**$ 29,323**	$ 38,537
Remittable to the Alberta Lottery Fund	**1,259,692**	1,125,194
Remittances to the Alberta Lottery Fund	**(1,248,503)**	(1,134,408)
Due to the Alberta Lottery Fund, end of year	**$ 40,512**	$ 29,323

NOTE 8 Due to General Revenues

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(thousands of dollars)	2005	2004
Due to General Revenues, beginning of year	**$ 159,354**	$ 145,746
Net operating results for the year	**1,826,383**	1,681,802
Remittable to the Alberta Lottery Fund	**(1,259,692)**	(1,125,194)
Remittances to General Revenues	**(554,000)**	(543,000)
Due to General Revenues, end of year	**$ 172,045**	$ 159,354

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

Notes to the Financial Statements

March 31, 2005

NOTE 9 Budget

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

NOTE 10 Commissions and Federal Payments

(thousands of dollars)	2005	2004
Commissions		
Video lottery terminals	**$ 113,816**	$ 103,976
Gaming terminals:		
- Operators	**115,573**	102,805
- Charities	**107,965**	94,554
Ticket lottery	**30,604**	30,531
Electronic bingo	**2,155**	1,377
	370,113	333,243
Federal Tax Expenses [a]		
Video lottery terminals	**10,345**	12,402
Gaming terminals	**7,905**	6,797
Ticket lottery	**3,608**	3,547
Electronic bingo	**75**	48
	21,933	22,794
Payment to Federal Government [b]	**6,194**	6,001
	$ 398,240	$ 362,038

[a] Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery, gaming terminal and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

[b] This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

Notes to the Financial Statements

March 31, 2005

NOTE 11 Other Income

(thousands of dollars)	2005	2004
Licences and permits	$ 5,860	$ 5,862
Miscellaneous	2,718	1,280
Interest revenue	2,337	3,470
Premises rental revenue	753	755
Retailer service fees	561	546
Liquor levies	468	507
Fines and violations	259	499
(Loss) on disposal of property, plant and equipment	(27)	(50)
	$ 12,929	$ 12,869

NOTE 12 Operating Expenses

(thousands of dollars)	2005	2004
Salaries and benefits	$ 37,774	$ 34,689
Amortization	35,591	32,392
Leased gaming terminals	13,334	12,083
Data communications	8,830	8,251
Media and media production	7,796	7,453
Ticket printing	6,454	6,103
Equipment and vehicles	5,821	6,145
Fees and services	2,521	2,603
Property	2,393	2,473
Travel and training	2,101	2,101
Data processing	1,286	997
Stationery and supplies	1,282	1,454
Freight and product delivery	1,134	1,322
Insurance and bank charges	1,005	996
Retailer relations	876	699
Miscellaneous	676	809
Presentations and publications	154	112
Product expense	85	80
Overhead and other	(3)	(7)
	$ 129,110	$ 120,755

Notes to the Financial Statements

March 31, 2005

NOTE 13 Commitments

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 27 years. Most of these former properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

(thousands of dollars)		
Fiscal 2005-06	$	1,956
2006-07		1,538
2007-08		1,355
2008-09		918
2009-10		919
Balance to expiry		4,142
	$	10,828

Estimated future revenues to be derived from subleases amount to $5.8 million at March 31, 2005. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 14 Contingencies

At March 31, 2005 the Commission is a defendant in 11 legal claims (2004 -12 legal claims). Nine of these claims have specified amounts totalling $140 million, and the remaining 2 have not specified any amount (2004 – 9 claims with specified amounts totaling $144 million, and 3 with no specified amount). Included in the total claims are 5 claims in which the Commission has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

Notes to the Financial Statements

March 31, 2005

NOTE 15 Salaries and Benefits

(thousands of dollars)	Base Salary [a]	Other Cash Benefits [b]	Other Non-cash Benefits [c]	2005 Total	2004 Total
Senior Officers					
Chairman [d]	$ 75	$ 52	$ 7	$ 134	$ -
CEO [e]	79	25	5	109	106
Board Members	82	-	-	82	92
Executives					
Executive Director, Regulatory	116	19	24	159	188
Executive Director, Gaming Products & Services	116	19	24	159	157
Executive Director, Information Systems	99	17	21	137	134
Executive Director, Finance & Administration	96	14	20	130	126

[a] Base salary includes regular base pay.

[b] Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.

[c] Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.

[d] The Chairman was appointed December 1, 2004.

[e] The Deputy Minister for Gaming also serves as the CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business. Full salary and benefits are disclosed in the Department of Gaming financial statements. Previous to December 1, 2004, the CEO also served as Chairman.

ALBERTA LOTTERY FUND

Notes to the Financial Statements

March 31, 2005

NOTE 16 Joint Venture - Ticket Lottery Operations

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

(thousands of dollars)		2005		2004
Balance Sheet				
Current assets	$	**24,490**	$	26,729
Property, Plant and Equipment		**10,440**		10,303
	$	**34,930**	$	37,032
Current liabilities	$	**18,332**	$	17,506
Investment in joint venture		**16,598**		19,526
	$	**34,930**	$	37,032

		2005		2004
Statement of Operations				
Gross profit	$	**183,379**	$	173,065
Operating expenses		**(25,852)**		(23,823)
Net operating results	$	**157,527**	$	149,242
Statement of Cash Flows				
Cash from operations	$	**163,024**	$	152,739
Cash used for investment	$	**2,278**	$	1,035

Notes to the Financial Statements

March 31, 2005

NOTE 17 Related Party Transactions

The Commission has the following transactions with Government of Alberta departments for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

(thousands of dollars)	2005 Expenses - Incurred by Others [a]			2004
	Accommodation Costs [b]	Legal Services [c]	Total Expenses	Total Expenses
Division				
Regulatory	$ -	$ 55	$ 55	$ 91
Commission Office	-	26	26	29
Gaming Products and Services	-	21	21	19
Finance and Administration	1	16	17	6
	$ 1	$ 118	$ 119	$ 145

[a] Costs incurred by Alberta Justice and Alberta Infrastructure and Transportation on behalf of the Alberta Gaming and Liquor Commission.
[b] Net costs for Accommodation in St. Albert.
[c] Costs for Legal Services allocated on hours of service provided.

The Commission also had the following transactions with Government of Alberta departments recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

Restructuring and Government Efficiency	$ 220
Risk Management and Insurance	163
Office of the Chief Internal Auditor	47
Alberta Infrastructure and Transportation	5
	$ 435

NOTE 18 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

ALBERTA LOTTERY FUND

Auditor's Report

AUDITOR GENERAL *Alberta*

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Lottery Fund as at March 31, 2005 and the statement of revenue, expenditure and fund equity for the year then ended. These financial statements are the responsibility of the management of the Lottery Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Lottery Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

FCA
Auditor General

Edmonton, Alberta
May 20, 2005

Balance Sheet

As at March 31 (thousands of dollars)	2005	2004
ASSETS		
Cash (Note 3)	$ 110,142	$ 80,574
Due from Alberta Gaming and Liquor Commission (Note 4)	40,512	29,323
	$ 150,654	$ 109,897
LIABILITIES AND FUND EQUITY		
Accounts payable (Note 5)	$ 97,879	$ 57,122
Fund equity	52,775	52,775
	$ 150,654	$ 109,897

The accompanying notes are part of these financial statements.

Approved on Behalf of:

BOARD

Julian J. Nowicki
Chairman of the Board
Alberta Gaming and Liquor Commission

MANAGEMENT

Norman C. Peterson, CA
Chief Executive Officer
Alberta Gaming and Liquor Commission

Statement of Revenue, Expenditure and Fund Equity

For the year ended March 31, 2005 (thousands of dollars)	Budget (Note 20)	2005 Actual	2004 Actual
Revenue			
Proceeds from lottery operations (Note 6)	$ 1,161,831	**$ 1,259,692**	$ 1,125,194
Interest	6,000	**6,485**	6,917
Grant recoveries	-	**1,044**	5
	1,167,831	**1,267,221**	1,132,116
Expenditure			
Transfers to Departments			
Advanced Education (Note 7)	20,700	**20,700**	20,726
Agriculture, Food and Rural Development (Note 8)	16,620	**16,620**	16,620
Children's Services (Note 9)	30,000	**30,000**	30,000
Community Development (Note 10)	85,806	**85,806**	72,105
Economic Development (Note 11)	14,100	**14,100**	14,100
Education (Note 12)	66,700	**66,700**	92,100
Gaming (Note 13)	160,748	**192,831**	139,931
Health and Wellness (Note 14)	209,274	**209,274**	196,380
Human Resources and Employment (Note 15)	20,233	**20,233**	3,574
Infrastructure and Transportation (Note 16)	325,000	**325,000**	240,000
Innovation and Science (Note 17)	69,285	**69,285**	66,797
Municipal Affairs (Note 18)	24,000	**24,000**	40,000
Restructuring and Government Efficiency (Note 19)	41,000	**41,000**	60,700
Contingency Allowance / Alberta Sustainability Fund	84,365	**151,672**	139,083
	1,167,831	**1,267,221**	1,132,116
Excess of revenue over expenditure for the year	-	**-**	-
Fund equity at beginning of year	52,775	**52,775**	52,775
Transfers to General Revenues	-	**-**	-
Fund equity at end of year	$ 52,775	**$ 52,775**	$ 52,775

Notes to the Financial Statements

March 31, 2005

NOTE 1 Authority and Purpose

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission under the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives the proceeds from lottery operations (see Note 6) and makes payments therefrom in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The Appropriation Act, 2004 authorized payments from the Lottery Fund as approved in the 2004-2005 Estimates, and provided for flexibility in the amount applied from the Lottery Fund towards Contingency Allowance / Alberta Sustainability Fund so that the net revenue of the Lottery Fund would be zero at the year ended March 31, 2005.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective departmental financial statements.

NOTE 2 Significant Accounting Policies

Cash Flows

A statement of cash flows is not provided as disclosure in these financial statements is considered to be adequate.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values.

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by the Fund have an average effective market yield of 2.79% per annum (March 31, 2004: 2.11% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Notes to the Financial Statements

March 31, 2005

NOTE 4 Due from the Alberta Gaming And Liquor Commission

This amount represents the portion of the revenues from lottery operations which has not been remitted by the Alberta Gaming and Liquor Commission (AGLC).

(thousands of dollars)	2005	2004
Due from AGLC, beginning of year	$ 29,323	$ 38,537
Remittable from AGLC	1,259,692	1,125,194
Remittances from AGLC	(1,248,503)	(1,134,408)
Due from AGLC, end of year	$ 40,512	$ 29,323

NOTE 5 Accounts Payable

Accounts Payable consists primarily of outstanding payments to the Department of Finance for the Contingency Allowance / Alberta Sustainability Fund, with the balance representing outstanding net payments to the Department of Gaming.

NOTE 6 Proceeds from Lottery Operations

Proceeds of provincial lotteries received by the Alberta Gaming and Liquor Commission are recorded as revenue of the Fund after the deduction of related operating expenses.

(thousands of dollars)	2005	2004
Income from video lottery operations	$ 635,064	$ 577,252
Income from slot machines	549,253	478,800
Income from ticket lottery operations	183,178	171,610
Income from electronic bingo	4,954	3,163
Less gaming expenses	(112,757)	(105,631)
Proceeds from lottery operations	$ 1,259,692	$ 1,125,194

Notes to the Financial Statements

March 31, 2005

NOTE 7 Advanced Education

Transfers to support post-secondary education:

(thousands of dollars)	2005	2004
Community Education	$ 15,300	$ 15,326
Achievement Scholarships	3,100	3,100
Learning Television	2,300	2,300
	$ 20,700	$ 20,726

NOTE 8 Agriculture, Food and Rural Development

Transfers made to enhance improvement in agriculture, horticulture, and the quality of life in the agricultural community:

(thousands of dollars)	2005	2004
Agricultural Initiatives	$ 11,620	$ 11,620
Agricultural Service Boards	5,000	5,000
	$ 16,620	$ 16,620

NOTE 9 Children's Services

Transfers made to support the family and community in Alberta:

(thousands of dollars)	2005	2004
Family and Community Support Services	$ 30,000	$ 30,000
	$ 30,000	$ 30,000

Notes to the Financial Statements

March 31, 2005

NOTE 10 Community Development

Transfers made to support culture and multiculturalism, sports and recreation and municipal initiatives in Alberta comprise:

(thousands of dollars)	2005	2004
Foundation for the Arts	$ 30,034	$ 29,034
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670	17,670
Centennial Legacy Grants	13,000	-
Wild Rose Foundation	7,766	7,766
Historical Resources Foundation	6,946	6,946
Volunteer Services	3,580	3,502
Hosting Major Athletic Events	1,800	1,900
Arts Development	1,503	1,464
Human Rights, Citizenship and Multiculturalism Education Fund	1,265	1,265
Sport and Recreation	1,212	1,158
Edmonton Centennial	1,030	1,400
	$ 85,806	$ 72,105

NOTE 11 Economic Development

Transfers made to support tourism in the province:

(thousands of dollars)	2005	2004
International Marketing (Tourism)	$ 7,900	$ 7,500
Visitor Support Services	2,500	2,100
In-Alberta / Regional Marketing	2,200	2,200
Travel Alberta Secretariat	900	900
Alberta Image Promotion	400	400
Tourism Research	200	200
Tourism Destination Regions	-	800
	$ 14,100	$ 14,100

Notes to the Financial Statements

March 31, 2005

NOTE 12 Education

Transfers to support primary education:

(thousands of dollars)	2005	2004
School Support - Transportation Subsidies	$ 60,400	$ 60,000
High Speed Networking	4,000	6,000
Learning Television	2,300	2,300
School Support - School Technology Upgrading	-	20,000
School Support - Online Curriculum Repository	-	3,800
	$ 66,700	$ 92,100

NOTE 13 Gaming

Transfers made to support gaming research, community initiatives and the volunteer sector throughout Alberta:

(thousands of dollars)	2005	2004
Major Fairs and Exhibitions	$ 42,660	$ 2,660
Racing Industry Renewal	39,693	37,000
Community Facility Enhancement Program	39,500	38,500
Community Initiatives Program	30,000	30,000
Other Initiatives	16,838	13,088
Calgary Exhibition and Stampede	7,100	7,100
Edmonton Northlands	7,100	7,100
Southeast Asia Tsunami Relief	5,000	-
Bingo Associations	2,740	1,617
Alberta Gaming Research Institute	1,500	1,500
Edmonton Oilers Ticket Lottery	300	633
Calgary Flames Ticket Lottery	300	633
Alberta Gaming Research Council	100	100
	$ 192,831	$ 139,931

ALBERTA LOTTERY FUND

Notes to the Financial Statements

March 31, 2005

NOTE 14 Health and Wellness

The following transfers were made in support of health and wellness initiatives, including Alberta Alcohol and Drug Abuse Commission:

(thousands of dollars)		2005		2004
Human Tissue and Blood Services	$	**137,000**	$	130,000
Alberta Alcohol and Drug Abuse Commission		**54,749**		48,855
Community Based Health Services		**10,000**		10,000
Health Services Research		**5,325**		5,325
Aboriginal Health Strategies		**2,200**		2,200
	$	**209,274**	$	196,380

NOTE 15 Human Resources and Employment

Transfers made to assist in job creation and to support the disabled, summer students and immigrants in their search for employment:

(thousands of dollars)		2005		2004
Disability Related Employment Support	$	**8,911**	$	-
Summer Temporary Employment Program		**7,722**		-
Immigrant Support Services		**3,600**		3,574
	$	**20,233**	$	3,574

Notes to the Financial Statements

March 31, 2005

NOTE 16 Infrastructure and Transportation

Transfers made to enhance support facilities for health care, education, transportation partnerships and water management.

(thousands of dollars)	2005	2004
Post-Secondary Facilities	$ 81,500	$ 15,000
Rural Transportation Partnerships	50,000	35,000
Alberta Cities Transportation Partnerships	35,000	-
Street Improvement Program	25,000	25,000
Municipal Water and Wastewater Grants	25,000	20,000
Health Care Facilities	23,000	50,000
School Facilities	22,000	80,000
Water Management Infrastructure	20,000	15,000
Centennial Projects	20,000	-
Centennial Legacy Grants	12,500	-
Seniors' Lodges	6,000	-
Infrastructure Canada / Alberta Program	5,000	-
	$ 325,000	$ 240,000

NOTE 17 Innovation and Science

Transfers to support scientific and communication initiatives, including improved internet access, in Alberta comprise:

(thousands of dollars)	2005	2004
Strategic and Research Investments Program	$ 33,495	$ 39,222
Alberta Energy Research Institute	14,595	6,940
Informatics Circle of Research Excellence	10,010	10,000
Alberta Agricultural Research Institute	8,675	8,875
Alberta Forestry Research Institute	2,510	1,760
	$ 69,285	$ 66,797

Notes to the Financial Statements

March 31, 2005

NOTE 18 Municipal Affairs

Transfers made to enhance support for municipal initiatives in Alberta comprise:

(thousands of dollars)		2005		2004
Unconditional Municipal Grants	$	12,000	$	28,000
Municipal Sponsorship		12,000		12,000
	$	24,000	$	40,000

NOTE 19 Restructuring and Government Efficiency

Transfers made to assist in the construction of the Supernet:

(thousands of dollars)		2005		2004
Alberta Supernet	$	41,000	$	60,700
	$	41,000	$	60,700

NOTE 20 Budget

The 2005 budgeted expenditures were authorized in total by the Appropriation Act, 2004. On March 24, 2005 the Appropriation (Supplementary Supply) Act, 2005 allowed for an additional $40 million to be paid from the Lottery Fund for the fiscal year ended March 31, 2005. Certain budget figures have been reclassified to reflect the Government reorganization that occurred on November 25, 2004.

NOTE 21 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Commitments 2005-2006

(thousands of dollars)

The Alberta Lottery Fund is the government's share of net revenues from VLTs, slot machines, electronic (DIGI) bingo, Keno and ticket lotteries. Lottery funds are committed to initiatives administered through 13 government Ministries. In 2005-2006, a one time provision of funds to the Legislative Assembly for centennial projects will also be administered.

The Alberta Lottery Fund enhances the quality of life for all Albertans by supporting thousands of worthwhile volunteer, non-profit, public and community-based projects and initiatives.

Alberta Lottery Fund expenditures are approved annually by the Provincial Legislature. The following is a list of Alberta Lottery Fund Estimates for 2005-2006.

Support to the Legislative Assembly	
Legislative Assembly Centennial Programs	$415
Advanced Education	
Community Education	15,600
Achievement Scholarships	3,100
Learning Television	2,300
	21,000
Agriculture, Food and Rural Development	
Agriculture Initiatives	11,620
Agricultural Service Boards	10,600
	22,220
Children's Services	
Family and Community Support Services	30,000
Prevention of Family Violence and Bullying	4,000
	34,000
Community Development	
Alberta Foundation for the Arts	32,534
Centennial Grants	30,000
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670
Wild Rose Foundation	7,766
Alberta Historical Resources Foundation	7,087
Hosting Major Athletic Events	2,175
Human Rights, Citizenship and Multiculturalism Education Fund	1,265
Cultural Facilities and Historical Resources Grants	1,030
	99,527
Education	
School Support - Transportation Subsidies	61,300
High Speed Networking	6,000
Learning Television	2,300
	69,600
Environment	
Educational Awareness	500

Commitments 2005-2006

Gaming	
Racing Industry Renewal	45,000
Community Facility Enhancement Program	38,500
Community Initiatives Program	30,000
Other Initiatives	14,673
Edmonton Northlands	10,350
Calgary Exhibition and Stampede	10,350
Bingo Associations	8,000
First Nations Development Fund	4,000
Major Fairs and Exhibitions	2,660
Gaming Research	1,600
	165,133
Health and Wellness	
Human Tissue and Blood Services	130,000
Alberta Alcohol and Drug Abuse Commission	62,916
Health Services Research	5,175
Community-Based Health Services	5,000
Aboriginal Health Strategies	2,200
	205,291
Human Resources and Employment	
Summer Temporary Employment Program	8,195
Immigrant Support Services	3,574
	11,769
Infrastructure and Transportation	
Health Care Facilities	140,000
School Facilities	58,000
Rural Transportation Partnerships	50,000
Alberta Cities Transportation Partnerships	35,000
Streets Improvement Program	25,000
Municipal Water and Wastewater Grants	25,000
Provincial Highways	20,000
Water Management Infrastructure	20,000
Post-Secondary Facilities	16,000
Infrastructure Canada / Alberta Program	5,000
	394,000
Innovation and Science	
Alberta Science and Research Investment Program	22,453
Alberta Energy Research Institute	15,530
Life Sciences	11,635
Informatics Circle of Research Excellence	10,620
	60,238
Municipal Affairs	
Municipal Sponsorship	12,000
Unconditional Municipal Grants	12,000
	24,000
Finance	
Transfer to Contingency Allowance	99,840
	TOTAL $1,207,533

Contact Information

For more information on the Alberta Lottery Fund and lottery grants, please visit our website at **www.albertalotteryfund.ca** or contact:

Alberta Lottery Fund
50 Corriveau Avenue
St. Albert, AB T8N 3T5
Phone (780) 447-8600 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8903
Email: alf.feedback@aglc.gov.ab.ca

The Alberta Lottery Fund provides grant funding for various community-based projects and initiatives through the following programs and foundations:

Alberta Foundation for the Arts – (780) 427-9968 *
Provides support to the development of the arts and film production sectors.

Alberta Historical Resources Foundation – (780) 431-2300 *
Provides support to community-based heritage initiatives.

Alberta Sport, Recreation, Parks and Wildlife Foundation – (780) 415-1167 *
Provides support to sport, recreation, parks and wildlife activities.

Community Facility Enhancement Program – 1 (800) 642-3855
Provides support to the expansion and upgrading of Alberta's extensive network of community-use facilities.

Community Initiatives Program – 1 (800) 642-3855
Provides support for project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports, education, health and recreation.

Human Rights, Citizenship and Multiculturalism Education Fund – (780) 427-3116 *
Provides support to organizations wishing to foster equality and reduce discrimination.

Wild Rose Foundation – (780) 422-9305 *
Provides support to the volunteer sector.

*** Dial 310-0000 for toll free access.**

Alphabetical List of Entities' Financial Statements in Ministry 2004-2005 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation[1]	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Seniors and Community Supports
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta[1]	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General	Solicitor General

Alphabetical List of Entities' Financial Statements in Ministry 2004-2005 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Advanced Education[1]	Advanced EducationMinistry of Aboriginal
Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure and Transportation[1]	Infrastructure and Transportation
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Restructuring and Government Efficiency[1]	Restructuring and Government Efficiency
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Persons with Developmental Disabilities Provincial Board	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

[1] The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

Alphabetical List of Entities' Financial Statements in Ministry 2004-2005 Annual Reports

Entities not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Post Secondary Institutions	Advanced Education
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment

[1] Ministry includes only the departments so separate department financial statements are not necessary.

Additional copies of this annual report and the AGLC annual report may be obtained from:

Communications
Alberta Gaming
50 Corriveau Avenue
St. Albert, AB T8N 3T5

Telephone: (780) 447-8740
Toll free: 1-800-272-8876
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Alberta Advantage

ALBERTA
LOTTERY FUND

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